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Peking Reportedly Broadens Basis for Talks With Taiwan

By Michael Parks Washington Post Service HONG KONG — The Chinese Communists have significantly broadened their proposal for talks with their long-time Nationalist rivals on Taiwan and are now offering to negotiate a "power-sharing arrangement" as part of a plan for the country's reunification, Peking Communist sources said here Monday.

Recent Hong Kong and overseas Chinese visitors to Peking have been asked by top Chinese leaders, including Deng Xiaoping, the Communist Party's powerful vice chairman, to convey to the Nationalists a new offer of "talks on the basis of equality," the usually well-informed sources reported.

Implicit in the latest proposal, the visitors were assured, would be a real role for the Nationalists in the central government once Taiwan was reunited with the mainland. This might include, one source said, giving an example given by Mr. Deng, the appointment of the Nationalists' skilled economic planners to key posts to oversee the country's industrial modernization.

A Major Step Peking's offer is a major step, according to the pro-Communist sources, toward meeting the Nationalist demand that any negotiations be conducted on the basis of full equality and over the future of the whole country, not just that of the Nationalist-held island of Taiwan.

The proposal, outlined in part by the leading Communist newspaper in Hong Kong and an authoritative, independent magazine,

is also obviously intended to increase pressure on the Nationalists to agree to negotiations with the Communists on Taiwan's reunification with the Chinese mainland. Although Taiwan's formal position remains firmly "no, never" to any political contacts with Peking, Nationalist officials on the island have recently discussed their likely conditions for such negotiations.

"Bluff Being Called" Among them would probably be equality of the two parties, a national role for Taiwan's Kuomintang after reunification and the dropping of Peking's present proclamation that the Nationalists first abandon their flag, anthem and name — Republic of China — and accept provincial status.

"The Nationalists intended their conditions to be an effective barrier to negotiations so they would never have to talk," a leading Communist in Hong Kong said. "Their bluff is being called now... but this is a serious offer, not a tactical ploy."

Still, the initial Taiwan reaction was to dismiss the proposal as insincere, according to other sources who relayed the message. The Nationalists replied that, formally, they reject all negotiations, whatever the conditions, and regard the talks as a Communist attempt to defeat them politically since this cannot be done militarily.

Peking hopes as it makes increasingly forthright proposals to undermine Taiwan's position, both at home and abroad, to gradually build a momentum for talks that the Nationalist leaders will (Continued on Page 2, Col. 1)



U.S. Secretary of State Alexander M. Haig Jr. at a news conference before leaving Bonn.



Haig Affirms U.S. Commitment To Consultations With Its Allies

By John Vinocur New York Times Service BONN — U.S. Secretary of State Alexander M. Haig Jr. made a new attempt Monday to convince the public in European NATO countries that the Reagan administration is committed to arms reduction and consultation with its allies.

At a news conference in Bonn at the end of a four-day European trip, Mr. Haig promised "complete and total" discussions concerning any eventual deployment of neutron weapons in alliance countries and said that, under "ideal conditions," U.S.-Soviet talks on middle-range nuclear missiles beginning this fall could allow the North Atlantic Treaty Organization to scrap its deployment plans for Pershing-2 and Cruise missiles.

The tone of his remarks appeared to be directed at segments of the European public that regard the Reagan administration as pushing Western Europe, and West Germany in particular, toward confrontation with the Soviet Union. The administration's decision to produce neutron weapons and NATO's 1979 decision to deploy the middle-range weapons have been particular targets for the groups making up what is widely referred to as the peace movement.

Mr. Haig went as far as saying that the peace movement — its backers sponsored a demonstration against Mr. Haig in West Berlin on Sunday — involved, in part, "an objective assessment by honest people."

"Seriously Concerned" "Clearly, very serious and knowledgeable people are extremely concerned today as they watch the level of armaments grow in what could be described as a mindless way, between East and West. We are all seriously concerned about these trends," he said.

[The United States said Monday that it had compelling preliminary evidence that deadly poisons were in use as chemical weapons in Laos, Cambodia and Afghanistan. Reuters reported. It said the poisons, which are called mycotoxins and cause death in minutes, were linked to "yellow rain," a liquid or powder sprayed from low-flying planes. It strongly suggested they were manufactured in the Soviet Union.] [The Soviet government denied that it has used chemical warfare in Southeast Asia, and charged that the United States has used chemical agents against its enemies. Tass reported Monday from Berlin. It said Mr. Haig "slanderedously charged the Soviet Union and its allies with using chemical agents in Laos, Cambodia and Afghanistan." [A group of government scientists said Monday that they have circumstantial evidence linking the

Three Cabinet Ministers Dismissed by Thatcher

From Agency Dispatches LONDON — Prime Minister Margaret Thatcher Monday fired three Cabinet critics of her monetarist policies.

Three junior ministers also lost their jobs. The dismissed Cabinet members were the deputy foreign secretary, Sir Ian Gilmour, the education minister, Mark Carleton, and Lord Soames, who was government leader in the House of Lords.

Mrs. Thatcher also moved another leading moderate, James Prior, from the Department of Employment to the Northern Ireland Office, where he replaces Humphrey Atkins. Like his predecessors in that job, Mr. Atkins failed to bring about a political settlement in Ulster. He now replaces Sir Ian as deputy foreign secretary.

Mr. Prior's move to the Northern Ireland Office was "obviously a disappointment to him," a spokesman at his office said. Sir Ian, 55, said: "I have been sacked because I am in disagreement with the government's economic policy. There is no harm in throwing an occasional man overboard. But it does not do much good when you are steering full speed ahead for the rocks — and that is what the government is doing."

Norman Tebbit, a close confidant of Mrs. Thatcher who shares her conviction that inflation must be fought with a tough monetarist policy, replaced Mr. Prior as employment secretary.

Mr. Tebbit, a former airline pilot, was promoted to the Cabinet from his present post as a junior minister at the Industry Department.

The industry minister, Sir Keith Joseph, another of Mrs. Thatcher's closest associates, took Mr. Carleton's job as education minister.

Non-Cabinet ministers dismissed were the Scottish office undersecretary, Russell Fairgrieve, the sports minister, Hector Monro, and the junior defense minister, Philip Goodhart.

Mrs. Thatcher's three chief ministers, the chancellor of the exchequer (finance minister), Sir Geoffrey Howe, the foreign secretary, Lord Carrington, and the home secretary (interior minister), William Whitelaw, remain in the Cabinet in their present posts.

Nigel Lawson, financial secretary at the Treasury, becomes energy secretary in place of David Howell, who becomes transport secretary.

Nicholas Ridley, formerly a junior Foreign Office minister, is the new financial secretary. Patrick Jenkin, social services secretary, takes Sir Keith's post as industry secretary and is replaced in his job at the Social Services Ministry by the outgoing transport secretary, Norman Fowler.

In an announcement from her office at 10 Downing Street, Mrs. Thatcher dismissed Lord Soames, who guided Rhodesia to independence as Zimbabwe, from his senior post as lord president of the council, leader of the House of Lords and civil service minister.

Lord Thorneycroft, 72-year-old chairman of the Conservative Party, was replaced by the trade minister, Cecil Parkinson.

As speculation intensified over the weekend that a reshuffle was imminent, Mr. Prior repeated Sunday that he wanted to keep his job as employment secretary, which he had held since the Conservatives came to power in the general election of May, 1979.

Mr. Prior, who will be 54 next month, takes on the tough Northern Ireland assignment as the hunger strike by Irish nationalist prisoners shows little sign of ending. The protest has claimed 10 lives since it started March 1 and has damaged Britain's image overseas.

Mr. Prior has been one of Mrs. Thatcher's leading Cabinet opponents since the Conservatives came to power.

The moderates have been urging Mrs. Thatcher to relent from her monetarist policies to ease the effects of Britain's worst economic slump since the Great Depression. They seek some relaxation of the economy and measures to tackle unemployment, which is at a 50-year peak of 12.2 percent, or nearly 3 million out of work.

Ministerial changes were expected now that Mrs. Thatcher has reached about halfway through the life of her government. Another election is due by May, 1984.

Earlier in the day the Bank of England raised its short-term interest rates sharply, signaling a toughness in the government's economic policy. It lent £79 million (about \$145 million) to money market discount houses at an overnight rate of 13.75 percent. This was a rise of about 1.5 percentage points from last week.

France Plans to Pursue Research On Neutron Weapons as Deterrent

By Edward Cody Washington Post Service PARIS — The French government, in a major policy statement, declared Monday that it will proceed with the development of neutron weapons as part of an effort to keep nuclear independence while remaining faithful to France's partners in the Atlantic alliance.

Prime Minister Pierre Mauroy, in a speech marking his first comprehensive review of Socialist military policies, repeatedly stressed French commitment to the Atlantic community ranged against the Soviet Union and its Warsaw Pact allies in Eastern Europe.

"As you see," he said, addressing the Institute of Higher National Defense Studies, "France's policy is not at all neutralist... France intends to remain faithful to its allies, with the United States in the front row."

Clear Distinction This declaration of faith in France's traditional role as a major Western ally reinforced several statements by President Francois Mitterrand since his May 10 election that have won praise from the Reagan administration despite ear-

ly jitters at the idea of a Socialist government and of Communists in the French Cabinet.

Mr. Mitterrand has, for example, emphasized the need to be firm with the Soviet Union on such matters as its intervention in Afghanistan and deployment of SS-20 missiles in Eastern Europe. At the same time, however, he has drawn a clear distinction between French and U.S. policy on the Third World, as he did last week as he called Mr. Reagan's policy on Central America "simplistic."

Paris under the Socialists thus seems to be following a two-track approach — agreement and cooperation with Washington on meeting Soviet power with equivalent Western might in Europe, but disagreement on the origins of turmoil in the Third World and the best way to respond to it.

Mr. Mauroy also made it clear that France under Mr. Mitterrand will continue its independent nuclear force. This has been a keystone of French military policy since De Gaulle pulled out of the North Atlantic Treaty Organization's integrated command in 1966, remaining a NATO member but reserving the right to make its

own decisions on when to push the nuclear button.

In this context, Mr. Mauroy said, France will continue testing the neutron weapons and will not rule out their deployment with French forces. "It would not be rational to renounce beforehand acquisition of a weapon that could increase our deterrent potential," he declared.

[French Communist leaders have criticized Socialist government policies and warned that their support for the administration of President Mitterrand was conditional. Reuters reported.]

[Party chief Georges Marchais said in a television interview, his first since elections that brought the Socialists to power last spring, that the government's nationalization plans were insufficient, and that a wealth tax planned by Mr. Mauroy was inadequate to combat inflation.]

[Roland Leroy, editor of the party newspaper l'Humanité, told a rally that the Communists, who have four ministers in Mr. Mauroy's Cabinet, were participating in the government, "but are not a party of government." Nor would Communists be the "unconditional advocates" of the government, he said.]

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PLO-Syrian Alliance Masks Deep Conflict

Arafat and Assad Guided by Suspicion, Not Trust

By Loren Jenkins Washington Post Service BEIRUT — In the heavy public posturing that usually masks the true nature of their politics, it has always been a cardinal article of public faith that Yasser Arafat's Palestine Liberation Organization has no greater champion, or friend, than Syrian President Hafez al-Assad.

When the cameras are turned on the two leaders at periodic Arab summit conferences or their own regular meetings, they invariably are shown embracing warmly and chatting amiably. Mr. Arafat, dressed in his traditional kaffiyeh headdress, and Mr. Assad, in his French-cut business suits, incessantly speak to their public of the brotherhood between the Syrian and Palestinian people.

Trying Cooperation But it is no secret that the relationship between Mr. Arafat and Mr. Assad, his hard-nosed benefactor, has never been an easy one. In the age-old ways of the desert, it is suspicion, not trust, that rules their political relationship.

"It has always been a marriage of convenience," a PLO official in Beirut said. "We Palestinians detest the Syrians and they detest us. But we have to live together, all the same."

Life together, of late, has become more trying than normal. PLO officials are quietly blaming Syria for orchestrating an undeclared campaign to discredit Mr. Arafat at the very time he is trying to present himself to the world as the diplomatic statesman he would like to be rather than the gun-wielding terrorist his enemies in Israel insist he will remain forever.

PLO sources say the campaign against Mr. Arafat includes plots against PLO diplomatic representatives in Europe, probably even the shooting in Warsaw of Mr. Arafat's PLO colleague Abu Daoud, and an embarrassing attempt to tar the PLO with a terrorist attack against a synagogue last month in Vienna. In some knowledgeable circles here, it is even alleged that the anti-PLO campaign led to last week's assassination of the French ambassador to Lebanon, Louis Delamare, whose only crime may have been his escort of French Minister of External Relations Claude Cheysson to an encounter with Mr. Arafat in Beirut only days before his death.

Sabry al-Bansaa, who goes by the code name of Abu Nidal. In the Arab world, Mr. Arafat probably has no more implacable enemy than Abu Nidal, a former member of his own organization whom Mr. Arafat expelled in 1972 and later sentenced to death in absentia for his violent opposition to any consideration of a negotiated settlement of the Arab-Israeli conflict. Abu Nidal's heresy was to insist that the gun and not the olive branch was the only possible solution to the Palestine question.

Even in a region where political alliances shift with the ease of sand dunes in a desert storm, Abu Nidal stands out in a class all by himself.

Umbrella Organization Outlawed by the PLO, the umbrella organization of Palestinian resistance movements which Mr. Arafat has chaired for 12 long years, Abu Nidal and a hardened band of followers soon turned up in Baathist-ruled Iraq. They called their organization the "Fatah Revolutionary Command" and, according to Arab and Western intelligence sources, were soon working for the Iraqis, on whom their existence depended. From 1976 to 1978, Abu Nidal's group was held responsible for a series of terrorist acts in Syria, Iraq's Ba'athist ri-

val, including a 1978 assassination attempt on Syrian Foreign Minister Abdel Halim Khaddam.

During the same period Abu Nidal was linked to assassinations of PLO diplomatic representatives in London, Kuwait, Paris, and the Pakistani capital of Islamabad.

Having been condemned to death in absentia by a PLO tribunal for these acts, Abu Nidal replied by issuing his own death verdicts against Mr. Arafat and his second in command, Salah Khalaf, usually known as Abu Iyad.

In the wake of Egyptian President Anwar Sadat's posthumous trip to Jerusalem in 1978, Arabs opposed to Mr. Sadat's action tried to put aside their own fratricidal disputes. Baghdad, in a gesture of reconciliation with Mr. Arafat, agreed then to rein in Abu Nidal, quietly expelling him from Iraq in 1979.

Unheard of for two years, Abu Nidal's group, reinforced with other dissident Palestinians, made one of the great political turnabouts in the Arab world, suddenly cropping up in Syria this year, according to both PLO and Western diplomatic sources. As independents are given no more leeway of action in Mr. Assad's Syria than they had in President Saddam Hussein's

Iraq, it has been assumed by everyone from Mr. Arafat on down that Abu Nidal, despite his earlier war on Mr. Assad's regime, had been given Syrian intelligence protection of some sort to carry out missions that Syria itself approved of.

The first signs that he was again going after Mr. Arafat and the PLO came last spring when the PLO uncovered a plot against their representative in the Yugoslav capital of Belgrade that led to the arrest of four Palestinians, including one who had infiltrated the Belgrade PLO



Yasser Arafat

(Continued on Page 2, Col. 1)

INSIDE

Sweden Devalues

The Swedish government devalues the krona, freezes prices and plans to cut spending in an attempt to strengthen its sagging economy and make its exports more competitive. Page 19.

Polish Miners

The Polish news agency PAP reports that 10,000 soldiers and recruits have reported for work in Poland's coal mines to help boost sagging coal production. The report follows government forecasts of widespread plant closings and possible economic collapse if coal production is not increased by 4 million tons this year. Page 2.

Japan Pressures

On Japan's northern island of Hokkaido, threats of attack by rightist extremists have made Satoshi Tomizawa decide to batter down the doors to the new two-story, concrete and steel headquarters of the Eastern Hokkaido Japan-Soviet Friendship and Trade Pavilion. Page 3.

Focus on Nigeria

A special supplement on Nigeria, 21 years after it achieved independence, appears on Pages 78-188.

Conservatives Lead Labor In First Returns in Norway

OSLO — Norway's Conservative Party was making large gains over the Labor government of Premier Gro Harlem Brundtland in general elections Monday, official computer forecasts showed.

The predictions indicated a swing of 6.9 percent to the opposition Conservative Party led by Kaare Willoch, an economist. If the trend continued, the Conservatives would increase their parliamentary strength by 15 seats to 56.

The forecasts opened the possibility of a coalition majority against Mrs. Brundtland, Norway's first woman premier, and her party.

With support from the small Center Party and Christian People's Party, which could take 12 and 15 seats, respectively, in the 155-member parliament, the Conservatives could oust Labor.

Mrs. Brundtland's party had so far won 38.1 percent of the vote compared with 42.3 percent at the last elections four years ago and stood to lose 10 of its 76 parliamentary seats.

Setback for Labor Earlier in the day, the first results also confirmed an expected major setback for the Labor Party of Premier Brundtland. "It's too early to draw any firm conclusions but it's not looking good for us," Labor Party Secretary-General Ivar Lervang said on television. The first returns confirmed forecasts of a heavy swing to the Con-

servatives, who have promised to cut taxes and curb bureaucracy. Political analysts said that even if the Conservatives do not attain a majority, Mr. Willoch probably would form a coalition with the Center and Christian People's parties.

The Labor Party has ruled Norway for much of this century, but Mrs. Brundtland, 42, a medical doctor, has held office for only eight months.

Advance polling began Sunday in some towns, but most Norwegians, including those in Oslo and rural areas, voted Monday.

An opinion poll taken after a television debate last Friday and published Monday gave Labor about 35 percent of the vote and the Conservatives about 32 percent. The Center Party was given 7 percent and the Christian People's Party, 11 percent.

This would cut Labor's strength in the 155-member Storting by 12 seats, to 64, and produce a clear majority for a center-right coalition, which would capture 81 seats. The Conservative Party, with 41 seats in the present parliament, would gain 12 seats, according to the poll. Eleven parties are contesting the election.

Prospects of a non-Socialist election victory led to a steady rise in stock prices as the campaign drew to a close. Mr. Willoch, 53, has promised to stimulate the economy with tax cuts of \$1.2 billion over the next four years and open Norway's state-dominated oil industry to private enterprise.



# Mexico's Self-Esteem Shaken by Oil Slump, Criticism on Salvador

By Alan Riding  
New York Times Service

MEXICO CITY — After three years of rapid economic growth and rising international prestige, Mexico's self-assurance has suddenly been shaken by the drop in world oil prices and sharp regional criticism of its policy toward the civil war in El Salvador.

President José López Portillo, who has 35 months left in office, has been forced to defend his administration's policies.

**NEWS ANALYSIS**

President's management of the economy and his recent decision to recognize El Salvador's guerrilla-led government as a "representative political force."

Yet events abroad appear to have combined with the domestic uncertainty that traditionally precedes the selection of the country's next president to create a new mood of introspection and even self-doubt.

"Nothing very dramatic has happened," a foreign diplomat remarked. "But Mexicans tend to swing from ecstasy to pessimism. Things were going so well for them that the first setbacks seem to have shaken their confidence."

**Issue Abroad**

Having experienced a severe economic crisis in 1976, Mexicans were in fact surprised to find that within two years, immense oil discoveries had transformed the country's image abroad. Suddenly, the government was not only courted by major industrial powers, including the United States, but it was also able to raise its voice — and to be heard — on international issues.

In the Caribbean region, which it now describes as its "natural area of influence," Mexico began to assert a leadership that, despite its size, it had never exercised. In Nicaragua, Mexico, for the first time in its history became a major donor of foreign aid. And, in an agreement with Venezuela, it provided cheap oil to the entire region.

With its economy growing by 8 percent during each of the past three years, Mexico enjoyed a boom. Mexican oil production tripled, proven oil reserves grew tenfold to 70 billion barrels, government spending expanded annually by 50 percent, record business profits were recorded and, for the first time, new jobs more than matched the number of youths entering the labor market each year.

The first worried looks appeared in late June when a worldwide oil glut forced a drop in oil prices of \$4 a barrel. In strict economic terms, its effect on Mexico was not great. The loss of about \$2 billion in revenues prompted a cutback of 4 percent in public expenditures, but the government still expects to earn about \$13 billion from oil exports in 1981.

The crisis atmosphere generated by daily proclamations of nationalistic determination shook the confidence of many wealthy Mexicans and, during a two-month period, foreign bankers estimate that between \$5 and \$6 billion left the country.

In foreign affairs, Mexico appears to have been as surprised by the reaction to last month's French-Mexican declaration recognizing the Salvadoran opposition as it was by the world's refusal to pay a price of \$2 a barrel for Mexican oil. Following that statement, more than a dozen Latin American countries charged Mexico and France with interfering in El Salvador's internal affairs.

Mr. López Portillo asked a few days ago how the Salvadoran opposition could not be considered a "representative political force" if the guerrillas were so strong that El Salvador's junta "has requested and admitted the intervention of a foreign country" in its affairs, a clear reference to U.S. military aid in El Salvador.

The move by Mexico, he said, was "an effort to awaken the conscience of humanity and prevent the Salvadorans from continuing to destroy each other."

The sharp criticism of Mexico's position "nevertheless prompted Foreign Minister Jorge Castañeda de la Rosa to concede Mexico's "relative isolation" on the issue, and led to some questioning in domestic political circles of the wisdom of such an assertive Central American policy.

The effect of these controversies on the mood of the country has been magnified by the fact that, with the name of the next president expected to be revealed within the next two months, political nervousness is at the peak of its six-year cycle.

Following tradition, Mr. López Portillo will choose the candidate of the Institutional Revolutionary Party for next July's presidential elections from among senior government and political leaders. The party's nominee has won every election in the past 62 years.



Helen Dolan Wilson, 74, clings to the hand of her daughter in Chicago on Saturday while seeking to refute charges that she received substantial cash gifts from Cardinal John P. Cody.

# Friend of Chicago Cardinal Denies Gifts Made Her Rich

**The Associated Press**

CHICAGO — Helen Dolan Wilson said over the weekend that published reports that Cardinal John P. Cody made her wealthy at the expense of the Roman Catholic Church are "scandalizing" and make her look like a "kept woman."

"They make me seem like a tramp," Mrs. Wilson, 74, a lifelong friend of the cardinal, told the Chicago Tribune in a copyrighted story published Sunday. "They're accusing the cardinal of being a thief and they are scandalizing me."

The Chicago Sun-Times, in a series of articles that began Thursday, said a U.S. grand jury is investigating whether Cardinal Cody diverted up to \$1 million from two unannounced church accounts to buy Mrs. Wilson a home in Florida, a luxury car, designer clothes and furs.

The Sun-Times said that Mrs. Wilson is beneficiary of a \$100,000 insurance policy on Cardinal Cody's life, that she received a secret salary from the Chicago archdiocese but was never seen working there, that she has traveled widely with Cardinal Cody and lists her summer address at his mansion in Chicago.

U.S. law prohibits tax-exempt church funds from being spent to improperly enrich any individual.

Cardinal Cody, 73, archbishop of the largest Catholic archdiocese in the United States, said Saturday that he was falsely accused and would respond once all the charges are published.

On Sunday, Cardinal Cody said at the Divine Providence Church in suburban Westchester that the stories about him are "slandering reports and nasty innuendoes" and "unfounded attempts to destroy the unity" of the Roman Catholic Church.

"I never thought that this type of persecution would continue in this enlightened day," said Cardinal Cody, who was given two standing ovations.

In an interview in the Chicago office of her attorney, Mrs. Wilson acknowledged that the cardinal gave her gifts and financial help but insisted there was a "brother-sister" relationship that began during their childhood in St. Louis.

She broke into tears and replied, "Oh my God, no," when asked if the relationship with Cardinal Cody was anything different. Mrs. Wilson said Sun-Times reports that Cardinal Cody frequently visited her residence in Florida are false.

She was paid by the archdiocese from 1969 to 1974 while she worked in Cardinal Cody's Chicago mansion, cooking, redecorating, ordering repairs, housekeeping, and running errands, she said.

# Japan Split on Future of Soviet-Held Islands

By Tracy Dahlby  
Washington Post Service

KUSHIRO, Japan — Amid threats of attack shouted from soundtrucks belonging to Japan's rightist extremists, Satoshi Tomizawa decided last week to batten down the doors to the new two-story, concrete and steel building he operates in Kushiro.

Mr. Tomizawa is the manager of the Eastern Hokkaido Japan-Soviet Friendship and Trade Pavilion, one of five such structures that have sprung up on the Hokkaido landscape in recent years to cater to Soviet officials and business representatives who ply a booming trade with Japan's second largest island.

The state of siege was touched off by Premier Zenko Suzuki's trip to Kushiro last week to campaign for the return of four islands seized by the Soviet Union at the end of World War II, and reflects the deep split in local sentiments on an issue that has raised strong emotions throughout Japan.

have gradually been allowed back into the Kushiro city office, said, "Kushiro is the biggest base of [Japan's] fishing force and the Soviet Union is our biggest partner. All fisheries activities must be coordinated with the Soviets, so we can't take up the reversion movement without taking account of the Soviet response."

The Kremlin has rejected negotiations on the islands' future. It claims that Japanese public opinion favoring reversion has been artificially created by Tokyo. Last December, Kushiro's city council passed a resolution endorsing the return of the four islands, but as in most other major economic centers in Hokkaido, the weighty economic interests at stake make enthusiasm for the movement hard to muster. "There is a feeling," Mr. Hirano said, "that things must be done in a friendly way."

# Chinese Dissident, Jailed Without Trial, Smuggles Out Rare Account of Hardships

By Victoria Graham  
The Associated Press

PEKING — Liu Qing huddled in his tiny cell, rigid with cold, his 35-year-old body shivered and covered with bruises. He closed his eyes against the glaring lights and tried to shut out the ravings of other inmates in solitary confinement.

One thing, he said, kept him from madness: "I want the people to know the truth."

In the West, Mr. Liu would be known as a political prisoner. In China, he is called a counterrevolutionary.

With the help of friends, he was able to smuggle an account of his experiences out of a labor reform camp. The Associated Press obtained a copy of it.

The 200-page manuscript, entitled "A Dispirited Recollection and Observations" — I lodge my complaint before the court of society, "provides a rare glimpse into the shadowy world of Chinese prisons and labor camps for dissidents.

Enraged and red-faced, his interrogator pounded the table. "You must answer these questions," he declared. "We have all kinds of ways of dealing with an insignificant person like you. This is an organ of dictatorship."

"Legal action is not an inflexible thing," said another interrogator. "There always are exceptions. Anyone can be imprisoned without proceedings."

blinded him. His hair began to fall out and his left leg went numb.

"In the beginning, I talked to myself and sometimes I had an intense debate with an imagined opponent," he wrote. "I tried to remember formulas in physics and chemistry... I thought a lot about my mother and the grief I brought her in the last few years. I felt very guilty."

All the while, the interrogations continued. The questioners wanted to know about the tape recording, and the democratic movement in China.

"Legal or illegal is not a question," Mr. Liu wrote later. "There is only the question of big or small influence. If one has great influence, then he cannot be released. He must be beaten like a mangy dog with a broken spine so when he comes back to society he will not constitute a threat. When will my motherland reform?"

On July 21, 1980, Mr. Liu was sent to the Lotus Flower Temple labor camp in Shanxi province for "re-education through labor." It was surrounded by 20-foot walls topped by electrified barbed wire. He is still there.

"They can push me around at will," Mr. Liu wrote. "However, I still will face them. I still will struggle until I am defeated."

# General Assembly Urges Sanctions Against S. Africa

**United Press International**

UNITED NATIONS, N.Y. — The U.N. General Assembly on Monday urged that South Africa be "deprived of its independence" and that South-West Africa (Namibia) be "deprived of its independence" and that "stringent sanctions" be imposed against Pretoria. The vote was 117-0, with 5 abstentions, including the United States, Britain and France.

After hearing 131 speakers in a smoldering emergency debate since Sept. 3, the assembly was ready for a vote Friday night but postponed it when Algeria, speaking for 50 African delegates, introduced amendments to make the resolution of condemnation conform with the UN Charter.

The resolution urged the UN Security Council to impose comprehensive sanctions against South Africa and called upon all states to take punitive measures individually.

The assembly condemned South Africa "for continuing its illegal occupation of Namibia" and for its armed aggression from there against neighboring states, such as the recent incursion into Angola that sparked the debate.

The resolution also appealed for increased material, financial, and military assistance for the guerrillas of the South-West Africa People's Organization, and demanded that the UN independence plan for Namibia be put into operation by December.

# Protesters Delay Blockade Of California Nuclear Plant

By Mark Landsbaum  
and Bob Secor  
Los Angeles Times Service

AVILA BEACH, Calif. — Anti-nuclear demonstrators have said they would not start their long-awaited blockade of the Diablo Canyon Nuclear Power Plant until Tuesday at the earliest.

The decision to wait at least one more day could add to feelings of restlessness in the protesters' tent city north of the plant and among the growing number of law enforcement personnel, who have been in a state of readiness since Wednesday when protesters began gathering.

Another in a series of meetings of protest representatives was scheduled for Monday. "If we reach consensus on the facts we are in readiness, we will go Tuesday at no specific time," said Jay Newburn, a representative of Abalone Alliance, the group organizing the blockade.

Protesters were still trickling into a campsite 15 miles (24 kilometers) from the front gate of the nuclear facility, but their ranks were still well below the 5,000 to 30,000 that had been expected.

The Abalone Alliance refused to divulge how many protesters were present, but it appeared that no more than 1,500 persons had checked into the camp.

The San Luis Obispo County Sheriff's Department, which is coordinating the security effort, was no longer releasing estimates of the number of local and state law enforcement officers deployed in the area to prevent demonstrators from barring access to the plant.

Although officers said they have had little to do since being called into the area, Sheriff George Whiting announced that he had put his deputies on 12-hour shifts and had called in additional outside officers.

The widely publicized event has been billed by its organizers as an attempt to use a human blockade to prevent the Pacific Gas & Electric Co. from conducting low-power tests at one of its two reactors at Diablo Canyon.

PG&E maintains that the reactor will be fired up as soon as the federal Nuclear Regulatory Agency gives the go-ahead for testing, probably Sept. 21, and that the plant is so self-sufficient that it can operate under a virtual state of siege.

# Japan to Develop 4 Arms Systems

**Reuters**

TOKYO — The Japanese Defense Ministry will develop four new weapons systems, including a ground-to-ship missile and a new battle tank, at a combined cost of 58.5 billion yen (\$252 million), a ministry spokesman said Monday.

The ministry plans to develop the missile by 1987 at a cost of 20 billion yen (\$86 million) and is seeking an initial budget of 7.8 billion yen (\$33.6 million) to build a prototype. The tank will be developed at a cost of 25 billion yen (\$107.7 million) by 1988, and the ministry is requesting 7.1 billion yen (\$30.6 million) for a prototype.

The ministry also plans to develop a laser-guided, anti-tank missile, costing 8 billion yen (\$34.5 million), and a new system to mount the existing 35mm anti-aircraft machine gun on tanks, at a cost of 5.5 billion yen (\$23.7 million).

# ASEAN Aid to Cambodians Tied to Front With Pol Pot

**United Press International**

SINGAPORE — The Association of Southeast Asian Nations will support "in every possible way" non-Communist Cambodian resistance forces only if they join a coalition with the Communist Khmer Rouge, a senior Cabinet minister said Monday.

The minister who requested anonymity said ASEAN which groups Singapore, the Philippines, Indonesia, Thailand and Malaysia in a non-Communist socio-economic bloc, would give former Cambodian head of state Norodom Sihanouk and former Premier Son San aid in the form of weapons, economic assistance and diplomatic support, only if they worked in a coalition.

Mr. Sihanouk and Mr. Son San lead the two non-Communist Cambodian factions resisting the Vietnamese occupation of the country. They agreed in Singapore two weeks ago to work toward establishing a coalition government with the former ruler, the Communist Khmer Rouge led by Pol Pot.

The official warned that ASEAN would not give aid to independent factions "which have no legal status." Such a move would counter ASEAN's support of a coalition government to pressure Hanoi to withdraw its forces from the country.

Meanwhile, Deputy Premier for Foreign Affairs Simitambay Rajaratnam has left Singapore for the UN General Assembly where he will seek to persuade other Western countries to support the ASEAN stand, he said.

Mr. Rajaratnam expressed confidence that the Khmer Rouge will retain Cambodia's seat at the forthcoming UN meeting. Last year, 74 countries voted for the Khmer Rouge to retain its seat.

**3 Resistance Groups Meet**

BANGKOK (Reuters) — Cambodia's three main anti-Vietnamese resistance groups have begun a series of meetings to try to form a coalition.

Asian diplomats close to the groups said they expected an agreement on the outline of a government-in-exile before the opening of the UN General Assembly session on Sept. 15.

# Bombs in Philippines Kill 2 and Wound 13

**United Press International**

ZAMBOANGA, Philippines — A grenade tossed into a crowded downtown restaurant and a bomb in a public market killed two persons and injured 13 in this southern port city, according to authorities Monday.

A woman and an 11-year-old girl were killed and six persons were wounded in the grenade attack on the restaurant Sunday. On Monday, potassium nitrate exploded in Zamboanga's public market, injuring seven persons.

# Old Allegations of CIA Link Spark Outcry in Peru Over U.S. Ambassador Nominee

By Cynthia Goney  
Washington Post Service

LIMA — The Reagan administration has caused a minor outcry in the Peruvian press by nominating as ambassador to Lima a diplomat who by some accounts cut out an earlier form of duty in Peru because of allegations linking him to the Central Intelligence Agency.

Frank Ortiz, the proposed ambassador, is a 30-year veteran of Foreign Service who was chief of the U.S. Embassy in Lima from 1967 to 1970. In 1968, the Peruvian military overthrew the government and began what was portrayed at the time as a social and economic revolution, including the much-blighted expropriation of a major U.S.-owned oil company.

A year later, according to two government officials who are confidants of Gen. Juan Velasco Alvarado, then the president, certain rumors and observations involving the oil company expropriation and other politically sensitive issues led Gen. Velasco to believe that Mr. Ortiz was working for the CIA. As a result, these officials say, Gen. Velasco called the U.S. Embassy to ask that Mr. Ortiz be removed from his position.

According to these officials and rumors of the type that circulate at the time, U.S. officials asked that Mr. Ortiz's departure be delayed long enough to allow him to leave quietly, with no international press. Three months later, Mr. Ortiz came deputy chief of mission in Uruguay. The CIA allegations were never proved, and both Peru and U.S. Foreign Ministry officials and U.S. diplomats now say there is nothing irregular about Mr. Ortiz's departure.

Haughty, insensitive

Mr. Ortiz also had trouble during the Carter administration, when it was reported that he had been transferred from ambassadorial posts in Barbados and Guatemala, in part because of disagreements with administration policy. But critics of the Ortiz nomination — some of whom disagree with the official version of his final acts in Peru — say it is finally

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# Files Raided

Gen. Velasco died in 1977, and most of the few men closest to him in the Ortiz matter are out of the country or unwilling to discuss the publicly. But roughly the same version of events was described recently in interviews with Mr. Zimmerman and with retired Gen. Graham Hurtado, who was chief of Gen. Velasco's advisory committee and a close associate of the president.

They said Gen. Velasco became concerned about Mr. Ortiz during negotiations over the U.S.-owned International Petroleum Co., which became a kind of nationalistic revolutionary symbol when Gen. Velasco expropriated it shortly after taking power.

Then in October, 1969, according to the two former officials and to a published political chronology of Gen. Velasco's government, Peruvian officials raided the office

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## Merchants at the Summit

You would have thought that when Ronald Reagan and Menachem Begin finally held their long-planned summit they would get serious. Do they really have a common sense of the realities in the Middle East? Does holding Egypt and drawing other Arab nations into an anti-Soviet coalition require an early answer to the Palestinian question? How could U.S. and Israeli military power protect the area against further Soviet advance and shield conservative Arab regimes against domestic threats? What are the possibilities, and limits, of the special ties of the United States to Saudi Arabia? How can Lebanon be pasted together again?

And when they tired of these knotty issues, you would have thought the two leaders would at least briefly reflect on their disputes in recent months. How, without bombing Baghdad, would Reagan have dealt with Iraq's suspicious nuclear program? How, without bombing Beirut and Palestinian concentrations in Lebanon, would Reagan secure Israel's northern frontier? What conditions, in fact if not in contract, does the United States put upon the weapons it sells Israel? How firmly will the United States oppose the progressing Israeli annexation of the West Bank?

It was certain, to be sure, that the summit would be wrapped in public declarations of mutual esteem and dependency. But in private as in public, this meeting seems to have amounted to nothing more.

All the proclamations of "alliance" and "strategic consensus" represent no significant policy turn. Some easy plans for further collaborations were shamelessly inflated. Mr. Begin will go home claiming that for all of Washington's recent condemnations, his U.S.

flank is secure. Mr. Reagan will cite that harmony to support his arguments in Congress that selling advanced military equipment to Saudi Arabia does not stab Israel in the back. The tough issues were all evaded. Two merchants have got what they could from each other; there were no statesmen in the room.

Statesmen, and real friends, would have sorted out the dangerous policy confusions between them. For the Israelis profess to trust Mr. Reagan's deepest instincts more than any other U.S. leader's. And Mr. Begin is finally recognized in Washington as a formidable politician, whose policies are now growing deep, deep roots.

But Mr. Reagan is also picking up largely where Jimmy Carter left off. He wows Saudi Arabia even to the point of breaking promises to Israel on the scheduled arms sales, and maneuvers in backdoor negotiations with the PLO, at least implying support for partition of the West Bank. Mr. Begin, meanwhile, is fast closing the door on any Palestinian homeland. He vows to hold every inch of the West Bank and predicts that the House of Saud will soon go the way of the shah of Iran.

The assumptions that give rise to these positions are not easily reconcilable. The overriding question before Israel and the United States at this juncture is not whether they are best described as "allies" or "collaborators." It is whether their separate diplomacies can long sustain real partnership. If their leaders refuse to face that question in moments of calm, the contradictions will only keep bursting upon them in crisis.

THE NEW YORK TIMES.

## Spooks Who Don't Fade Away

Old soldiers may fade away. But what happens to old spooks who don't? To be precise: What happens to folks who have spent a career practicing the black arts of covert action, working in an atmosphere of conspiracy, sometime-illegality and dedication to their cause and never doubting that they had the tacit consent and perhaps even the gratitude of the higher-ups for the shortcuts that were essential to their job? What work are they fit for, professionally and mentally, when they come in from the cold?

Four years ago reporter Bob Woodward disclosed information suggesting that at least a small handful of former covert operatives, including a man named Edwin P. Wilson and some anti-Castro Cuban exiles, had made a questionable detour. The government was asking, he reported, whether they had gone into the terrorism business for the Libyan dictator, Moamer Qaddafi. The story enjoyed a brief run and was enveloped in a cloud of internal government concern.

The same story, elaborated, is enjoying a new life. Mr. Wilson, formally accused of supplying explosives, weapons and training to Libyan terrorists and of plotting an assassination on behalf of Col. Qaddafi, is said to be a fugitive in Tripoli. Fresh attention is being thrown on the ways in which he apparently used his CIA connections and his CIA aura to market his services after formal retirement and to recruit others — some still in the agency — to help him provide them. The frustrations of investigators in obtaining reliable information and witnesses to penetrate this world of practiced deceptions and international shadows are on plain view.

Aside from media chance, the evident reason the Wilson affair is again at center stage is that in the interim a new administration came to power pledging to combat international terrorism, especially Col. Qaddafi's. It is sobering news that, through the likes of Mr. Wilson and some erstwhile confederates

and some old Cubans, the United States itself had a hand in creating the very menace that it is now combating.

It is in the nature of covert action, or in the nature of the public's view of it, that there are people who suspect that some outer sanctum of the CIA put Mr. Wilson up to his Libyan tricks and some inner sanctum is still "running" him. You will also find people who see in the latest revelations a KGB disinformation operation intended to discredit the CIA just as it starts girding for a new cold war.

Actually, the facts, as best we understand them, are quite prosaic. Within days of learning of Mr. Wilson's doings in 1977, CIA director Stansfield Turner fired a number of CIA employees whose contacts with the already-retired Mr. Wilson he deemed questionable. Informed congressional overseers have found no reason to doubt that, then or since, intelligence officials perceive the danger retired rogues can do the agency's standing and work.

No matter how many old CIA hands, retirees and ex-contract employees alike make a good adjustment when they leave covert action, incidents like the Wilson affair and the assassination of Orlando Letelier, not to speak of Howard Hunt and Watergate, demonstrate that some do not. It is an ugly problem.

The publicity in these cases may have a certain value in raising the level of agency as well as congressional and public consciousness of the problem. Perhaps the CIA or its alumni associations should consider accepting some responsibility, if not to keep an eye on the old boys, then to aid the re-entry of those whose only salable talents are black. The moment when a new wave of covert action may be in the offing is precisely the right time to ponder the rogues left over from the last round.

THE WASHINGTON POST.

## Exports Are Also Imports

Yet another leaked draft from inside the administration shows the Commerce and State departments to be at work on a proposal to eliminate the requirement that foreign governments be notified before U.S. companies export hazardous products. Should the plan be forwarded to the president and adopted, it would undo a sensible compromise policy agreed to only a year ago.

There are many who believe that the United States should forbid the export of substances — pesticides, drugs, consumer products, chemicals for instance — banned or tightly restricted in the United States. This ignores the reality that the risks and benefits involved in a regulatory decision vary greatly among countries. The classic case is DDT, a cheap, long-lasting, effective contraceptive banned here because of possible long-term health risks. In many developing countries where skyrocketing population growth has created great hardship, the balancing of risks and benefits yields a different judgment.

A sensible policy not only must accommo-

date these differences; it also must encompass a number of economic, political and environmental interests that point in conflicting directions. The policy must not interfere too greatly with trade by U.S. companies.

The compromise eventually agreed to by Jimmy Carter and Congress allows exports of dangerous substances, only after the importing country is notified of the risks involved. It is not a perfect solution, but it is the best balancing of these various interests yet put forward. Businesses have complained because of delays and paper work, but these are modest in comparison with the benefits. The draft plan's argument that current controls should be dropped because a "unified, international approach" would be better is a fancy way of saying, let's do nothing. An effective international notification system does not now exist. Until it does — and the United States should continue to support its creation — the U.S. unilateral controls should be kept in place.

THE WASHINGTON POST.

## In the International Edition

Seventy-Five Years Ago  
September 15, 1906

HAVANA — U.S. sailors who landed in Havana at President Palma's request on Thursday afternoon, were ordered back to the cruiser Denver yesterday morning. The city was then quiet, but the Cuban government has shown many signs of being demoralized. The insurgents have made a proposition to lay down their arms if the United States guarantees them a fair trial. Cienfuegos is reported as in a state of siege, and it is understood that the Marieta has landed men there. Sugar plantations owned by Americans have been destroyed by the insurgents. The tenor of a dispatch from President Roosevelt's home makes intervention seem improbable.

Fifty Years Ago  
September 15, 1931

VIENNA — Prince Starhemberg, former minister of the interior, veteran of the Austro-Hungarian army and chief figure in the Heimwehr organization, was taken into custody yesterday. Members of the prince's staff also were arrested, as were hundreds of other persons implicated in yesterday's short-lived attempt on the part of the Heimwehr to overthrow Vienna's Socialist government and establish a Fascist dictatorship. Walter Pfirmer, head of the Styrian Heimwehr organization, who led the putsch and declared himself dictator, was nowhere to be found today. He was believed either to have fled to Italy or to be hiding in a mountain hut.



## The Lenin Touch on Poland's Situation

By Vladimir Solovyov

NEW YORK — Not long before the Bolshevik seizure of power in October, 1917, Lenin wrote that a revolutionary situation exists when the masses will not, and the government cannot, live as they did before. Without pausing to judge the universal validity of that classical Leninist statement, I would argue that his maxim, which I was made to memorize at the Soviet Institute that I attended, fully explains the present Polish situation.

Before the Polish Communist Party's summer congress, debates between moderates and conservatives in the party assumed a particularly scholastic, sectarian and abstract character, barely touching upon the realities of the political crisis. Only 3 percent of those surveyed recognize the party's legitimacy, according to an unofficial poll of Polish public opinion conducted by the French journal *Paris Match*. That figure is even lower than the percentage of the population that the party claims as its membership.

### Surprising

It is surprising, therefore, that the congress, largely ceremonial in nature, was seen as such a momentous event in Poland as well as in the Eastern Bloc and the West. Time is now working against the party bureaucrats who daily are abandoning one position after another in the face of a spontaneous national movement of discontent.

The movement is transforming the party from a governing body to that of an opposition force, while at the same time radicalizing the independent labor union *Solidarity* so that its leadership is not co-opted by the existing system. *Solidarity* itself is experiencing a metamorphosis. Beginning as a movement of opposition, the union already has become, under pressure from the populace, the de facto ruler of the Polish nation.

Lenin's appraisal of what constitutes a revolutionary situation is apt in this context: The Polish government no longer can govern as be-

fore because the Polish masses no longer will accept such rule. But is *Solidarity* ready to assume state power? The union has shown brilliantly that it can act as an astute opposition, but can it come to grips with the nation's economic crisis?

For that matter, is anyone capable of resolving Poland's enormous economic difficulties? Could David A. Stockman, President Reagan's budget director? Could Milton Friedman? Could God? (An anecdote currently in vogue has Pope John Paul II asking God whether he will live to see the day when Poland's economic crisis will end. In reply, God said, "Not only will you not live to see that day, but neither will I.")

Paradoxically, during Poland's long-awaited year of freedom, the economic situation has not improved but has worsened. Its debt to the West has increased to \$27 billion, coal production has declined sharply, exports have plummeted, and the food distribution system is in shambles. Emigrants are streaming out at an alarming rate.

Poland's experiments with democracy have not been smooth or simple in the past. Historically, democracy often gave way to anarchy or oligarchy, which in turn led to yet another period of dictatorship. The brief period of Polish independence in this century between the two world wars witnessed the coup d'etat of 1926, led by the "Socialist" Josef Pilsudski, who established a military dictatorship, the so-called "Sanacja" (National Revival).

Today, internal anarchy threatens the Polish revolution no less than foreign intervention. In order to extricate itself from its economic quandary, and at the same time to withstand pressure from Moscow, Poland needs a strong government. Talk of a new "Sanacja" as the only means of escaping from the present plight is in the Polish air. However, revolutionary aspirations often, as in the past, lead to dictatorship.

## Portugal: Rough Road Ahead of Premier

By Ken Pottinger

LISBON — When Portugal's 14th post-revolutionary government took office early this month, it marked a new watershed in the turbulent political history of this country since the return of democracy in 1974. Taking office was Socialist Democratic leader Francisco Pinto Balsemão, succeeding himself, in a one-act drama which, but for its serious implications, had all the makings of a national soap opera.

Mr. Pinto Balsemão's resignation one warm sticky August weekend was followed a week later by his resignation in an acrimonious dispute which boiled down to an unresolved six-month old leadership crisis within the Social Democrats — major partners with the Christian Democrats and monarchists in the governing Democratic Alliance coalition.

The leadership problems began last year on Dec. 4 when Francisco Sa Carneiro, the pugnacious founder of the Social Democrats and chief figure in the ruling alliance, died in a plane crash three days before a crucial ballot to elect a new head of state.

## Letters

### Hassled at Airports

The lead paragraph in the Page 1 Reuters article, "One Big Mess" (HT, Aug. 11) about delayed and cancelled flights to and from the United States reads: "The transatlantic turmoil" is "a result of the strike by U.S. air traffic controllers."

This is not correct. The chaos at that time was caused by the Canadian air traffic controllers flexing their muscles against their own government. They caused tremendous inconvenience to thousands of people and simply took a free ride on the unlawful situation in the United States, which has virtually nothing to do with planes being grounded in London, Paris and Amsterdam.

Indeed, flights in the United States are running almost normally with domestic air traffic flowing smoothly. Conversely, for the past six months it has been practically impossible to fly anywhere in Europe without running into strikes, slowdowns and outright refusal to work.

I have been hassled in Hamburg, slowed down in Stockholm, pushed aside in Paris and left in the lurch in London. Now the "English disease" has been carried over to Canada. If the airport world has gone mad — which it apparently has — let's not put the blame on an illegal action by U.S.

government employees. I am sick and tired of languishing in airports and being herded around like cattle in a Kansas City stockyard just because some jerk doesn't feel like working today.

Airport employees have been taking advantage of their captives — the traveling public. Maybe a few other governments should fire a few people who don't want to work and solve part of the unemployment problem by hiring those who do.

T. HILLIARD STATION, Amsterdam.

### On Moderation

So Saudi Arabia is a "moderate nation"? Maybe through Caspar Weinberger's Bechtel-sainted glasses it is, but one wonders which Saudi Arabia the U.S. defense secretary may be speaking about: The one in which "human rights" is a dirty word? Or the one which calls for a holy war against Israel? Or is it perhaps the one which, although temporarily braking the increase in the price of oil (not out of concern for the world, of course, but in order to preserve the dollar value of her own resources), is responsible for the scandalous stranglehold that OPEC has on the rest of the world, including America.

ZALMAN SHOVAL, Saint-Paul-de-Vence, France.

One can say with certainty that any attempt to impose a pro-Soviet dictatorship in Poland would be met by a national uprising.

Conversely, the Poles would accept a dictatorship with a clearly defined patriotic character, if this dictatorship succeeded in ending economic chaos and political anarchy. The naming of Gen. Wojciech Jaruzelski as premier, and the subsequent appointment of four other generals to Cabinet posts, coupled with the election of 10 workers and seven nonworking members to the Polish party's central committee — all from the military — is a step in the direction of effecting a Polish "18th of Brumaire."

### Polish Napoleon

Of course, the mild and nervous Gen. Jaruzelski, who hardly resembles Marshal Pilsudski, would be even less likely to play the part of a Polish Napoleon. Neither does the leader of the Polish proletariat, Lech Walesa, fit the role of a dictator. Individually, neither man seems able to fill the part. But what if they pooled their efforts? In any case, the exigencies of the situation have created a power vacuum and a need for a "national savior." As is well known, power vacuums are never left unfilled for long.

The question is whether a union is possible between the Pole Jaruzelski and the Pole Walesa, between the Polish generals and the Polish revolutionaries, between the Polish army and *Solidarity*, between the soldiers and the workers. Do those groups possess sufficient patriotism to unite against the threat of anarchy, disintegration and the end of Polish sovereignty?

Vladimir Solovyov, Russian-born historian and journalist now living in New York, has just completed a book, "Russian Paradoxes." He wrote this article for the Los Angeles Times.

ance afloat for its full term ending 1984.

Should continuing contradictions cause it to break up, there would almost certainly have to be an early general election with no clear sign of what sort of grouping would emerge victorious from such an event.

To add to the taxing difficulties facing Premier Pinto Balsemão, the country is in deep economic difficulty with inflation this year expected to top 20 percent, the balance of payments deficit reaching record highs and an extended drought coupled with forest fires adding enormously to the import of food and raw materials bill.

The rising value of the dollar against the escudo has not helped, with Portugal now getting deeper into debt to pay its costly imported fuel requirements all involved in dollars and the large scale U.S. grain shipments it buys.

Tough economic austerity lies ahead at exactly the moment when Portugal needs to quadruple its annual growth rate in comparison to OECD member countries if it is to bridge an existing development gap before joining the EEC.

Mr. Pinto Balsemão is going to need plenty of determination and more than his fair share of good fortune if he is to pull off the social and economic transformations promised by the alliance when it was first formed in the middle of 1979.

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Letters intended for publication should be addressed "Letters to the Editor," and must include the writer's address and signature. Priority is given to letters that are brief and do not request anonymity. Letters may be abridged. We are unable to acknowledge all letters, but value the views of readers who submit them.

## A Lack Of Interest In Justice?

By Anthony Lewis

BOSTON — The Reagan administration has long since made clear its radical character: its break from long-settled ideas of the public interest, its policies on the environment and public health, its widely observed examples. But for me the most striking example came in a brief filed last week in the Supreme Court.

The solicitor general, Rex E. Lee, told the Court that the federal government has no legal "interest" in a pending constitutional question: whether, under the 14th Amendment, Texas may exclude the children of illegal aliens from public schools. The government will take no position on the issue, the brief said, because it affects only "the state of Texas, not the United States."

In so saying, the administration broke with more than 30 years of history. In countless cases, under both Democratic and Republican administrations, the Justice Department has told the Supreme Court that the United States has an interest in the interpretation and enforcement of the 14th Amendment. It has repeatedly and successfully urged the Court to hold states to the amendment's guarantee of equality in the treatment of aliens and minorities.

Many of the constitutional landmarks of the last several decades were state cases in which the Justice Department gave its views in briefs filed as a friend of the court.

An outstanding example was the school segregation cases, *Brown vs. Board of Education*. In 1952, under the Truman administration, the Justice Department filed a brief arguing that school segregation was unconstitutional. The leading book on the cases, Richard Kluger's "Simple Justice," says that the brief was crucial in a particular idea it advanced: that the Court would not have to order segregation ended everywhere overnight but could allow gradual implementation. That relieved the anxieties of some justices about a decision against segregation.

After hearing the school cases, the Court in 1953 ordered them reargued. This time it asked the Justice Department to take part in the oral argument. By now the Eisenhower administration was in office. In December, 1953, Assistant Attorney General J. Lee Rankin argued for the federal government. Asked by a member of the Court what the Eisenhower administration's view was on the basic issue of segregation, Rankin replied: "It is the position of the Department of Justice that segregation in public schools cannot be maintained under the 14th Amendment."

The Eisenhower administration and its Democratic successors also played a part in the appointment cases, which found that grossly unequal districts for the election of state legislators violated the Constitution.

The Supreme Court first opened the way for courts to consider such issues when in 1960 it found unconstitutional the racial gerrymandering of the city boundaries of Tuskegee, Ala. Mr. Rankin, by then solicitor general, filed a brief arguing for that decision.

When the larger question of legislative apportionment came along, Mr. Rankin was ready to file a brief saying that it, too, was appropriate for judicial resolution. But the Kennedy administration had taken office before the brief was filed, by Solicitor General Archibald Cox in 1961. Mr. Cox made oral arguments in that and the later apportionment cases.

All these cases were decided under the Equal Protection Clause of the 14th Amendment, which says that no state shall "deny to any person within its jurisdiction the equal protection of the laws."

Mr. Lee, in his brief in the Texas case, suggested that the United States lacked a legal "interest" when no federal law but only constitutional rights were at issue. But that has been true in many cases over these recent decades. In 1947, in urging the Supreme Court to hold racial segregation unconstitutional under the Constitution, the Justice Department explained its interest in a passage that began:

"The federal government has a special responsibility for the protection of the fundamental civil rights guaranteed by the Constitution and laws of the United States."

The Texas case shows again how little the Reagan administration deserves the label "conservative." Far from respecting precedent and continuity, it is moved by politics and ideology.

To see a solicitor general sign such a brief is especially sad. That office is a unique one, with responsibilities to the Supreme Court and to history as well as to the government of the day. The solicitor general speaks for the United States in the Court, and the justices expect more from him than politics. If a justice now asks Mr. Lee a constitutional question like that put to Mr. Rankin in 1953, he will presumably answer, "Don't care."

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# 15 U.S. Nuclear Plants Rated 'Below Average'

By Ben A. Franklin  
New York Times Service

WASHINGTON—The Nuclear Regulatory Commission's first national survey comparing the performance of atomic power plants lists 15 as "below average" in such areas as management control, maintenance, radiation and fire protection and overall compliance with operating regulations.

The appraisal of the performance of the nation's 50 operating nuclear plants are contained in a staff report that is to be presented to the full commission next month. According to a copy obtained by The New York Times, the document lists nine plants, or 18 percent, as "above average," 26, or 52 percent, as "average," and 15, or 30 percent, as "below average."

However, the report said "no plant was rated lower than 'below average' or had such significant problems as to warrant concern about the safety of its operation." The report stems from the agency's action plan adopted after the accident at the Three Mile Island reactor in March 1979, and reflects conditions that existed in late 1979 and 1980.

**Question of Competency**  
"Below average" plants are in Arkansas, Pennsylvania, Alabama, New York, New Jersey, North Carolina, Ohio, Florida, Michigan, Massachusetts, California and Virginia.

By finding fault with nearly one-third of the plants, the new commission report is likely to renew public questioning of at least a part of the nuclear industry's competency.

Last week, the Edison Electric Institute, a utility trade association, endorsed a plan by Pennsylvania Gov. Dick Thornburgh to

hasten the radioactive decontamination of the Three Mile Island plant. The cleanup has been under-financed and slow.

Gov. Thornburgh said his six-year, \$760-million cleanup plan could "mean the difference between a continuing TMI crisis, and continued uncertainty about nuclear power in general, and a new TMI consensus in the weeks ahead."

The language of the commission report appears to get out of its way to avoid jarring any "new consensus." The report stressed, for example, that "a rating of 'below average' does not mean that a facility was unsafe or that its operation or construction should be stopped."

**'High Expectations'**  
It explained: "The expected performance level for nuclear facilities is high, as it should be. A rating of 'below average' means that the facility was not meeting the full measure of these high expectations."

The plant most heavily cited as "below average," Beaver Valley 1 of the Duquesne Light Co. at Shippingport, Pa., near Pittsburgh, was cited for "weakness" in nine of the 15 questions surveyed in the assessment.

"Many items of noncompliance concerned personnel errors, indicating instances of insufficient training, and revealed instances of poor supervision of personnel," the report said.

By contrast, the evaluation of the "above average" plants characterized them as "well run, with particularly competent, involved and responsive management" and with "a strong commitment to radiation protection" and "good communications with the NRC."

# A Music Hall District of Paris Comes Back to Life

By Meg Bortin  
International Herald Tribune

PARIS—In the '20s it roared, a block-long stretch of accordion palaces where nightlife was a gamble and they played for keeps. By the '30s, Parisian high society flocked there for the kick of mingling with the toughs, but in the '50s and '60s the street attracted hordes of tourists, drawn by tales of the *spashees*—elevated to a mystic gangland stature worthy of Al Capone. In the '70s, it was pure kitsch. Now a new energy is revitalizing Rue de Lappe, with the first signs of regeneration juxtaposed with remnants of the past.

"We didn't choose this street by chance," admitted Jean-Luc Fraisse, co-owner of the Chapelle des Lombards jazz club. "We chose Rue de Lappe because we liked the ambience—it just seemed appropriate for jazz to return to the music hall."

Repealed from the Les Halles area in central Paris by an overdose of commercialization, Fraisse and his partner, Pierre Garcia, moved east of the Bastille in January, setting up their place in the shell of one of 17 former dance establishments that sprang up along the block 30 years ago. But they were not just coming along with the past. Over the last few years, the neighborhood around Rue de Lappe has been turning into the city's loft district, filling up with artists and intellectuals drawn to the area by the cheap workshop space, the ethnic variety, and relative isolation from the steel-and-glass modernization in the center of Paris.

**Collective Art Gallery**  
The Atelier Bastille, a collective art gallery, opened on Rue de Lappe in March. Its initiators, Michel and Elisabeth Fanblie, were driven from their former studio near the Pompidou Center when tourists started invading Beaubourg. "It was incompatible with what we were trying to do," Elisabeth Fanblie explained. "The charm of our new setting is its genuineness."

Although they lament the arrival of the newcomers, the owners of a anarchist bookstore



Crowded dance floor of Balajo.

down the street agree that "gentrification" is unlikely to become a problem for the street. Unlike the Marais and Les Halles, where hundreds of long-time residents were forced out of their dilapidated housing as it was snatched up by real estate agencies for renovation, Rue de Lappe is protected by a number of factors. The Socialists took the district in the last election, and now careful reconsideration is being given to the way the Paris slums are to be dealt with.

The policy of the mayor of Paris—the right in general, but [Jacques] Chirac in particular—has been to replace a population of workers, old people, factories, craftsmen, people who tradition-

ally voted on the left, by a much more well-to-do population of businessmen, advertising agencies, people who supported the policies of the right," commented Ghislaine Tournant, a new National Assembly member. "For years we have fought this policy through which Paris is losing its soul to become a city of offices, agencies and high-cost housing."

She said the Socialists will aim to provide the old buildings with modern sanitary facilities, while keeping rents low enough for their tenants to remain.

Rue de Lappe still harbors numerous functioning small factories inside the courtyards of its century-old buildings. This, added to the precedent for protest

set during the expulsions from the Marais and Les Halles, has also tended to brake the process of high-price renovation. Smoky old cafes hung with saucages and country ham still beckon to passers-by from the days when the Auvergnats moved up from the highlands of central France, bringing their music with them, including an instrument evolved from a primitive bagpipe to a relative of today's accordion, the *musette*. The street, with its bars and *bal musettes*, lured a rowdy crew whose reputation for being fast with a knife earned them the name *apaches*. Today, from mid-afternoon to the wee hours, the same music filters from the doors of the Balajo dance hall — perhaps the liveliest historic monument in Paris.

**On Memory Lane**  
"The people who come here now are mostly in search of memories," said the Balajo's owner, Robert Legast, as the accordion band compelled couples across the floor beneath what was once an avant-garde decor, a mirrored globe above spangling artificial stars across the ceiling. "There's one couple, for example, who met here, fell in love and were married here. Well, they're in their 70s now, and they still come dancing every Saturday night."

He will allow no pictures to be taken during the afternoon dancing hours. And as tango follows waltz and pasodoble and the once-racy *java*, an aura of clandestine romance pervades red-walled interior. Young couples with a taste for nostalgia drift past delighted old-timers still performing the ancient ritual with abandon.

A few doors down the block, the Latin rhythm of the Chapelle's late night salsa band locks a new generation of dancers into a similar swaying embrace reminiscent of the days when it was chic to dance check-to-check. "The advantage of Rue de Lappe is that music has been here for a hundred years, so there's no problem for a jazz club," said Fraisse. "The people who live here have been living here for years and years. It can never become stylish — it's the anti-Marais!"

# William Loeb, U.S. Publisher Of Conservative Views, Dies

By Wolfgang Saxon  
New York Times Service

NEW YORK — William Loeb, 75, the fervently conservative publisher of the Manchester Union Leader and the New Hampshire Sunday News, died Sunday of cancer at the Leahy Clinic in Burlington, Mass.

Mr. Loeb was a small-town



William Loeb

## OBITUARIES

newspaper publisher whose success at national political leaders and starkly liberal views from the far right of the spectrum earned him quadrennial notoriety because of the presidential primaries in New Hampshire, the candidates' first testing ground.

Mr. Loeb did not live in New Hampshire. He divided his time between his ranch in Reno, Nev., and, increasingly in recent years, a Tudor mansion on a 100-acre estate at Ames Crossing, a village in Beverly, Mass., about 20 miles (32 kilometers) northeast of Boston.

His front-page editorials in the Manchester Union Leader, sometimes printed in boldface and capital letters, took a black-and-white stand on the issues. Grays, Mr. Loeb believed, could only befuddle the reader. "Things are either right or they are wrong," he once said.

**'Moscow Muskie'**  
Mr. Loeb lumped liberal Democrats together as "left-wing books," termed former President John F. Kennedy "the No. 1 liar in the United States," labeled Nelson A. Rockefeller a "wife-swapper" and called former President Dwight D. Eisenhower a "stinking hypocrite."

Mr. Loeb raised a furor in the 1972 New Hampshire primary when he referred to then Sen. Edward S. Muskie of Maine, the opponent of the Democratic presidential ticket, as "Moscow Muskie."

Mr. Loeb's publication of a spurious "Cannuck letter," which quoted Mr. Muskie as making disparaging remarks about French Canadians in his home state, and a follow-up editorial denigrating the senator's wife, Jane, are generally regarded as the arrows that severed Mr. Muskie's presidential hopes.

The purported author of the letter was untraceable, but the letter was later attributed to the "dirty old" practiced by campaign workers for former President Richard M. Nixon.

A follow-up editorial, not written by Mr. Loeb, caused Mr. Muskie to defend his wife in *Play* magazine. A picture of a senator's wife and in tears was published nationwide, further marring his presidential chances.

**'Foul Ball'**  
Mr. Loeb was a Nixon supporter for many years, but when Mr. Nixon announced in 1971 that he was going to feign the publisher's bid for a "foul ball" who had leveled our chances of victory against the Communists by cutting up to the Chinese Reds and the killers in the Kremlin." But when the Watergate scandal broke, Mr. Nixon's resignation or impeachment would be the power of the ballot box to Mr. Loeb desired as a small one of "antagonist, self-appointed" in the news media.

More to Mr. Loeb's liking were a Barry Goldwater of Arizona and Ronald Reagan. For all his intractability, Mr. Loeb sated a crusading paper that raged furiously against off-ends and corruption and habitually printed more letters from duty than any newspaper in the country. Few people seem to have known a well, but those who met him and him a good man with a long belief in good manners. He

# Publishing Japanese Strategy Bullish

By Jacqueline Wilson  
New York Times Service

NEW YORK — He slew his first foe at the age of 13, and went on to kill 60 more in one-to-one combat. He was a painter, a writer, a calligrapher, philosopher and a spiritual leader. His name is Miyamoto Musashi, a legendary Japanese samurai warrior who is suddenly a hot issue on Wall Street.

The vehicle is "The Book of Five Rings: A Classical Guide to Strategy," written by Musashi in 1645, published by Overlook Press in 1974 and now catching on as a sort of lifestyle guide in the financial community. More than 75,000 copies are in print and the book goes into its ninth printing next month.

The publishers are amazed. "We originally printed this book for the martial arts audience," said Mark Gompertz, an editor of Overlook Press. "Certainly, we didn't expect anything like this."

So are some bookstores. "It's selling better than some of the best sellers," said Beth Dugan, a buyer for a Walden Books in the Wall Street area. The shop is sold out.

At 96 pages for \$12.95, "The Book of Five Rings" costs 14 cents per not-very-wordy page. That compares with about 2 cents a page for the typical business strategy book. For the money, the reader gets a lengthy introduction, illustrations of and by the author, and the cryptic teachings of Musashi.

Musashi, writing at the end of his life while living in a cave, expounds on *ken-do*, a Japanese sword technique. His philosophy, influenced by Zen, Shintoism and Confucianism has one clear message — in order to defeat the ene-

my, there must be strategy and method. A sample of his wisdom: "There are four Ways in which man passes through life: as gentleman, farmer, artisan and merchant. And each has a strategy."

For the "gentleman warrior," the Way is the resolute acceptance of death. "If you keep your spirit correct from morning to night accustomed to the idea of death and resolved on death, and consider yourself as a dead body thus becoming one with the Way of the warrior, you can pass through life with no possibility of failure and perform your office properly."

**On Single Combat**  
Musashi goes on to discuss one-on-one battle. How to stab your enemy in the face, how to cut and slash, how to frighten and how to intimidate. "In single combat, you must also put yourself in the enemy's position. If you think, 'Here is the master of the Way, who knows the principle of strategy,' then you will certainly lose."

In an era when Japanese expertise is all the rage, "The Art of Japanese Management," by Richard Tanner, and "Theory Z: How American Business Can Meet the Japanese Challenge," by William Ouchi, both have been on the best-seller list for months. But now it's Musashi with a vengeance. In August, Harper & Row and Kodansha International published a 1,000-page translation of a novel about the warrior called "Musashi," first published in Japan in 1925.

Of course, any meeting of East and West has its rough spots. "As a matter of fact," Gompertz said, "someone called me up and asked if Musashi was available for talk shows."

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# Fashion Widening the Fur Trade

By Hebe Dorsey  
International Herald Tribune

NEW YORK — He got his first job at \$16 a week during the Depression, hanging fur coats in the basement of Bergdorf Goodman, where he ended up, smooth, silver-haired and an executive vice president. So one might think retirement would be welcome, but he rented workrooms in downtown Manhattan, got his furniture out of his Bergdorf office, nailed a 150-year-old bronze knocker on the door and opened Leonard Hankin Fur Associates.

"I thought I'd get myself a little something to do," he said. "In fact, I've never worked harder in my life."

One of the most knowledgeable fur experts in the United States, Hankin last spring arranged with two designers, Fendi in Italy and Claude Montana in France, to duplicate part of their fur collections in New York. The result is a drop in price of 30 to 40 percent, with basic, bread-and-butter mink coats costing around \$10,000. The Hankin-made Fendi furs will be available only in the Americas, whereas the Montana line will be distributed worldwide.

Although the Hankin-made Fendi furs will sell for considerably less than the Fendi imports at Bergdorf's, it is no problem for the store that once employed him, Hankin insisted.

"We're still on very good terms," he said. In fact, the first Hankin-made Fendi furs will be on sale in New York exclusively at Bergdorf's, from Sept. 30. They will also go to other exclusive stores such as I. Magnin on the West Coast and Neiman-Marcus in Dallas.

Dawn Mello, Bergdorf's executive vice president and fashion director, agreed that there was no clash of interest. "We're still bringing the whole Fendi line," she said. "Besides, there is no problem because Leonard is concentrating on the more classic, conventional styles. His garments will also be easier to re-order, which has not always been the case with the Italian imports."

What Hankin carries should also give new customers a taste of Fendi furs without involving them in a fashion and financial adventure that, only a few women are ready to indulge in.

"The Fendi customer exists," Hankin said. "The other one, we have to educate." Hankin, 64, is still very much a Bergdorf man, whose mission in life was to satisfy the needs of people with money.

"With the Goodmans, the question never came up 'How much was it going to be,' but 'What is the best way to do it?'" Hankin said. He also feels that more and more chic boutiques that have never been into furs are getting interested. "With the price of ready-to-wear, where a leather coat can cost \$3,000, it's a very small step to sell fur."

The Fendi furs at Bergdorf are often way out but they have found a niche in some of the world's richest women's closets. Despite the prices, which Mello said had almost doubled since last year, Fendi fur sales are up 30 percent compared with August, 1980. Which explains why the store is going all out with a big charity Fendi show on 58th Street today. Both Paula and Carla Fendi are expected to fly over from Europe as is the collection's designer, Karl Lagerfeld.

You can also tell that although Hankin is no longer with Bergdorf's, he has remained part of the family. At Bergdorf's, Hankin learned all there is to know about furs — and then some. "After six months in the storage department, Edwin Goodman brought me upstairs and told me to go buy myself a suit — explaining what a suit was, jacket and pants — and even where to go for it. After that, he made me a salesman."

After the war, during which Hankin, who had studied Russian on his own, was stationed in Moscow, he returned. "Mr. Goodman had kept paying my salary throughout the entire war, with no obligation, he said. He was a very, very clever man," he added wistfully.

Hankin soon proceeded to write a 27-page memo to Mr. Goodman, telling him all I thought was wrong with the store. I expected to be fired. Instead, he asked me to lunch, which was absolutely unheard of. Not one word was spoken during lunch, but after lunch, we had coffee and cigars — it was the first cigar I had in my life. — Mr. Goodman said: 'Leonard, I thought your memo was very interesting. You and Andrew [his son] can do it all after I die.'"

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# International Restaurant Guide

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LE LOUIS XIV 14, bd. des Capucines, 202-56 56, 203-19 90. Lunch, dinner, supper after 10 p.m. Multiple courses, seafood, shellfish, grill, omelette, cream, fried fish, 5 Euro.  
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**Herald Tribune**  
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## A Special Supplement: 21 Years After Independence

### Business Ties Diversified, British Role Is Diminished

By Gillian Gunn

AT INDEPENDENCE the Nigerian market was British turf. But during the last decade the nation has used its oil riches to diversify business relations. The major industrial powers have vied for lucrative contracts and investments, and Britain has lost much of its appeal in the face of such competition.

The British Austins and Rovers that used to clog the streets of Lagos have been replaced by Peugots, Datsuns and Volkswagens. French trading companies are vigorously expanding and West German contractors are building the nation's highways. Polish experts dredge ports while the Soviet Union helps with the steel industry. U.S. firms pump the oil and the Dutch run the national airline. On the grounds that Third World entrepreneurs will be particularly sensitive to Nigeria's problems, Brazilian companies have been called in to work on the telephone system, and Indians are running the railways.

According to a U.S. businessman, Nigeria

- Area ..... 357,000 square miles
- Population ..... 85 million (est.)
- Languages ..... English (official), Hausa, Ibo, Yoruba, others
- Currency ..... 1 Naira = \$1.60
- Inflation rate (1979) ..... 14 percent

Membership in international organizations ..... United Nations, Organization of Petroleum Exporting Countries, Economic Community of West African States, Organization of African Unity, Commonwealth of Nations, INTELSAT

wants two things from foreign business: "It wants investor commitment, with companies setting up local manufacturing operations rather than just selling finished goods. And it wants substantive transfer of technology. It wants to acquire nitty-gritty industrial know-how so as to reduce dependence on foreign firms." The Nigerians also seek access to credit.

The British are still conspicuous in Nigeria, getting a relatively large share of small- and medium-size contracts, but the multimillion-dollar deals go elsewhere.

#### Hard Businessmen

"The Nigerian is a hard businessman," said a spokesman for Britain's Taylor Woodrow, "and the success of the French, West German and Japanese has been because they know how to haggle. The Nigerians would prefer to do business with the U.K., but first and foremost they want a good deal."

The British are aware that their grip on Nigeria is slipping, but they are fighting back only half-heartedly. President Alhaji Shehu Shagari was enthusiastically welcomed during his four-day visit to London in March, but Britain declined a Nigerian invitation for its agriculture minister, Peter Walker, to investigate opportunities for British agribusiness firms.

The Nigerian government says that it would like the British to be more interested in investing rather than in simple trading.

There are signs that Britain's long-standing cultural ties with Nigeria, which reinforce business relations, are disintegrating. Britain's increased university fees for overseas students mean that fewer Nigerian youths will go there, despite Prime Minister Margaret Thatcher's recent agreement to freeze fees for about one-third of the Nigerian students. London's high prices are also making it lose out to New York and Paris as a shopping city for the Nigerian class.

Nevertheless, Nigeria remains Britain's 10th-largest market and its largest outside Western Europe and the United States. Britain accounts for 40 percent of Nigeria's foreign investments and is the country's largest supplier of goods and services, with more than 20 percent of the market. Trade picked up by 29 percent in the first two months of 1981, and Britain has a positive trade balance of about \$1 billion.

#### Truck Plant

The British industrial showpiece is a \$93-million Leyland Nigeria truck assembly plant at Ibadan. British companies are also involved in numerous other projects, including a \$178-million water purification system and a \$17.8-million telephone communications management contract. British trading houses still dominate the consumer goods sector.

The United States has sought to pick up where Britain has left off, but many Americans seem uncomfortable with Nigerian conditions. "U.S. business interest in Nigeria has increased sharply in the last few years," a U.S. Department of Commerce source said. "But most American businessmen don't know anything about the country. They can find it on a map but that's about it."

Americans are also worried by the country's reputation for corruption, and have trouble dealing with Nigerians, who complain that U.S. businessmen are arrogant and condescending.

Washington is encouraging U.S. exports to Nigeria for a very good reason. In 1980, the United States had a \$9.78-billion trade deficit

with Nigeria, its largest after Japan. "It will be just as bad in 1981," the Commerce Department source said, "unless we do something spectacular like selling ten 747 aircraft." The United States buys about 30 percent of Nigeria's oil, yet supplies only about 10 percent of its goods and services.

Lagos apparently is equally anxious for U.S. business. "The Nigerians believe we can supply state-of-the-art technology, and they want that very badly," a U.S. diplomat in Lagos said.

#### Agriculture

The United States is making strides in the agribusiness field. "Nigerians have looked around the world and seen who has the most efficient food growing methods," a Lagos-based agriculture expert said. "The U.S. comes out on top." The Joint Agricultural Consultative Committee, a group of more than 30 Nigerian and U.S. agribusiness firms that was founded in 1980 during the visit to Lagos of Walter Mondale, then the U.S. vice-president — actively encourages joint ventures. In addition, U.S. food exports to Nigeria stood at \$324 million last year and are rising.

In the medium term, some cultural incompatibilities between the two countries may diminish. "Nigerians are finding that for the cost of educating 10 students in the U.S., they can educate 20 in the U.S.," President Shagari said recently. There are 20,000 Nigerian students in the United States, only 5,000 fewer than in Britain.

Contacts have also been strengthened by Nigeria's adoption of a U.S.-style federal constitution.

The gap left by fading British influence and the slow growth of U.S. business is being swiftly filled by Continental Europeans. France, West Germany, the Netherlands and Italy can combine familiarity with African conditions with vigorous marketing techniques. The Japanese also are interested in the market.

French business relations with Nigeria are growing particularly fast. "The Nigerians harbor a distrust of the French inherited from the British and exacerbated by French support for the Biafran rebels in the 1967-1970 civil war," a Western diplomat in Lagos said, "but when it comes to making deals the two nationalities can be surprisingly compatible."

French exports to Nigeria, which consist primarily of consumer and capital goods, increased 80 percent in 1980 to slightly more than \$1 billion. Nigeria has an almost \$1.3-billion trade surplus with France because of large French oil imports.

#### Prominent Companies

The most prominent French companies are SCOA, a trading house, and Lagoo. Both companies' successes are partly attributable to their positive response to Nigerian pressure to manufacture locally.

French contractors are also doing well,



RETURNING TO THE SOIL — President Shagari, emphasizing the importance of agriculture, takes up a shovel for some leisure-time gardening at the State House in Lagos. Agriculture gets a top priority. See story inside.

helped by Paris' willingness to back bids with credit. In May, French banks agreed to loan Nigeria \$533 million toward the \$3.4-billion Ajaokuta steel complex. These loans are clearly connected with Nigeria's decision to employ two French construction companies, Fougere Construction and Dumex, in the plant contract.

West Germans are also strong. Julius Berger was virtually unknown in Nigeria 10 years ago, but today, with a turnover of almost \$1.8 million a day, it is the leading foreign construction firm. Strabag is also prominent. The West German banks and government institutions provide generous credit, and firms such as Mercedes-Benz are leaders in the development of the motor industry.

The Netherlands made a place for itself when KLM took over the running of Nigeria

Airways in 1979. In March, the Dutch contractor Royal Harboursworks won 80 percent of a \$263-million contract to build three ship repair yards.

Although Italy's trade with Nigeria is small, the Italian construction firms have carved out a niche for themselves. Montedison is involved in chemical plant construction while Danielli and Burrio are supplying technical expertise for the steel industry. Imprest is exploring possibilities for agriculture-related construction.

#### Japanese Competition

The West faces stiff competition from Japan, despite Japanese unfamiliarity with Africa and language problems. Nigerian subsidiaries of Japanese car and motorcycle manufact-

(Continued on Page 8S)

### Slumping Oil Market Poses Challenge to the Economy

By Richard Syng

EVERYTHING depends on oil," said a Nigerian merchant banker surveying the state of the economy. "And the key is that we should decide the right price for our oil."

With oil providing more than 80 percent of the federal government's revenue, production cannot be turned off for long without a chain of problems. Nigeria's current production slump, a result of the worldwide recession and oil surplus, has led to a large balance-of-payments deficit this year, and there are signs of a spending squeeze. National projects have had to be delayed, there has been uncertainty about the ambitious 1981-1985 development plan and, at the more basic level, state governments are running short of cash.

Attention has been sharply focused by recent events on the need for a strong and coherent oil policy. The board of the Nigerian National Petroleum Corp. normally handles this, but between 1980 and this August the NNPC had no board and only an acting managing director.

A scandal last year involving temporarily missing funds led to the dissolution of the board. "The scandal shook confidence and caused an incredible delay. The office of the president's energy adviser has been burdened with the responsibility," said a highly placed source in Lagos.

#### New Board

The new NNPC board was finally sworn in by President Alhaji Shehu Shagari on Aug. 6, with Horatio Agedah as chairman and Lawrence Amu as managing director. Their mission is to review the functioning of the NNPC and to ensure a meticulous accounting system to avoid a repetition of the scandal, which arose from an auditor's difficulty in following earlier accounting procedures.

Yahaya Dikko has been the presidential adviser on energy for the last two years and it appears that he will continue to represent the country at OPEC negotiations, at which he has become recognized as a forceful figure, according to Western diplomats.

#### Feeling the Pinch

By joining the OPEC hard-liners, Nigeria was affected by the Saudi Arabian policy of holding prices down and stepping up production. Nigeria was further affected by non-OPEC competition from Britain and Mexico.

Nigeria at first accused Western oil companies, governments and the media of fabricating a "so-called oil glut," but as the effects began to be felt, commentators switched the emphasis of their criticism toward Saudi Arabia — which has even been called "an enemy in OPEC's ranks" in a government-controlled newspaper.

As a highly populated country highly dependent on oil, Nigeria has been feeling the pinch of reduced earnings sooner than its African colleagues in OPEC. It has had to face up

*With oil providing more than 80 percent of the federal government's revenue, production cannot be turned off for long without a chain of problems... Officials are acutely aware that investment in gas, which is now being burned off as waste from oil production, must start now...*

to the possibility of a much restricted oil production horizon. While its development plan outline, published as recently as January, 1981, envisaged steady production of 2 million barrels a day until 1985, production had already slumped by July to 825,000 barrels a day as buyers went elsewhere.

After the failure of the emergency OPEC meeting in August in Geneva to bring prices within a narrower spread than the existing \$32-\$40 range, Nigeria on Aug. 26 announced a discount of \$4 on its official price of \$40 a barrel. The government said that the official price would remain at \$40, however, until the OPEC meeting next December in Abu Dhabi, when Nigeria hopes that price unification will be possible.

In a bid to retain customers who have curtailed or suspended their purchases of Nigerian oil, the government has started talks with the major oil companies on pricing and production strategy for the fourth quarter of the year.

Nigeria is still hopeful that the market will revive, but is concerned to remain a "responsible" member of OPEC, observers noted. This would explain why it chose a discount rather than a formal price cut.

Oil companies represented in Lagos believe that the output levels anticipated in Nigeria's development plan are no longer realistic. Some feel that the market for Nigerian crude has dropped significantly, although the product is still valued for its remarkable sulfur-free light properties.

#### New Investment

Six months ago, the foreign companies were drawing up plans with their common partner, the NNPC, for major new investment in the oil fields that would have brought production capacity close to 2.8 million barrels a day, with Shell/NNPC alone due to account for half that amount. Gulf/NNPC's capacity as the second-largest producer was to rise to 500,000 barrels a day by 1984.

By July, however, Shell/NNPC had cut back drastically to little more than Gulf/NNPC's actual level of 235,000 barrels. It was in these changed conditions that the companies talked of the total production outlook for the next decade being no higher than 1.5 million barrels a day, although Nigerian officials cannot accept such a low figure.

The oil field investment plans had, until the glut, been quite substantial, with Shell/NNPC expecting to spend \$300 million in 1981 and Gulf/NNPC a further \$250 million by the end of the year. This spending is now highly unlikely.

The NNPC, as the major source of investment in Nigeria's energy output, is now expected to put its weight behind the export project that is expected to pay Nigeria's way into the 21st century, liquefied natural gas (LNG).

#### Flared Gas

A growing embarrassment to Nigeria as well as to the companies has been the phenomenal amount of gas that is flared at the oil fields. In the Escravos complex, in Bendel State, it is estimated that the burned-off gas in that area alone could supply in one hour what Britain consumes each day.

All the gas at present being flared has come up with the oil, and it has not been necessary to explore for gas. Experts predict that Nigeria is sitting on about 200 trillion cubic feet of gas.

Officials are acutely aware that investment in gas must start now, while oil funds are still available. "Gas exports are the key to the late 1980s and the 1990s," an official said.

Nigeria has lost a year in the preparations for its first major gas export project, known as Bonny LNG, because of uncertainty about the advantages and a wariness about borrowing heavily for a project that will cost about \$12 billion to \$14 billion before it can start up. Authoritative sources now expect that construction of the Bonny LNG plant can start in 1983. This would lead to first exports in 1987 and full output by 1992.

The technical planning for Bonny LNG has been completed, and a steady market is assured among eight European customers, principally France and West Germany. If the four interested U.S. customers are prevented by government legislation from taking their 50-percent share, the Europeans have pledged to buy the extra.

#### Complex Project

The project's complexity is fully apparent to the U.S. management team supplied by Phillips Petroleum Management Services. Much of the \$5-billion condensing plant will have to be assembled abroad and brought in on skids. On the site, which is remote and not served by road or rail, the labor force during construc-

(Continued on Page 12S)

### New Capital Is Rising on Ancient Site

A NEW federal capital is being created in central Nigeria on a strikingly beautiful wooded plain that is bounded on the north by ranges of granite hills.

The new city of Abuja will rise in an area (designated the Federal Capital Territory) that has been inhabited for centuries by the Gwari, hunters and farmers living in village communities separated by forest and savanna.

In the last two years, the plain around the market village has been overrun by machinery and workers, who have already carved the basis for expressways, bridges and thousands of buildings. Foreign workers have installed themselves in camps close to the site.

Access to what was previously a remote area has been made possible by a north-south highway from Kaduna to Lokoja. Access roads around the territory are being built and the airport is nearly ready.

The administration hopes that some of the federal government will be able to move to Abuja by 1983. President Alhaji Shehu Shagari is hoping to be able to claim credit for what he describes as "a new cultural base which is truly Nigerian in character, reflecting the federal nature of our society."

#### Race Against Time

The Federal Capital Development Authority is in charge of the costly operation of constructing the city. Based at the old town of Abuja, now renamed Suleja, the FCDA's offices are a hive of activity as officials, consultants and contractors race against time.

On the site, the infrastructure is not yet sufficiently coordinated for the "pioneer citizens." It is hard to believe that some federal ministries expect to operate fully from Abuja by the beginning of the next presidential term in 1983, given the enormous task of installing staff, families, furniture and equipment.

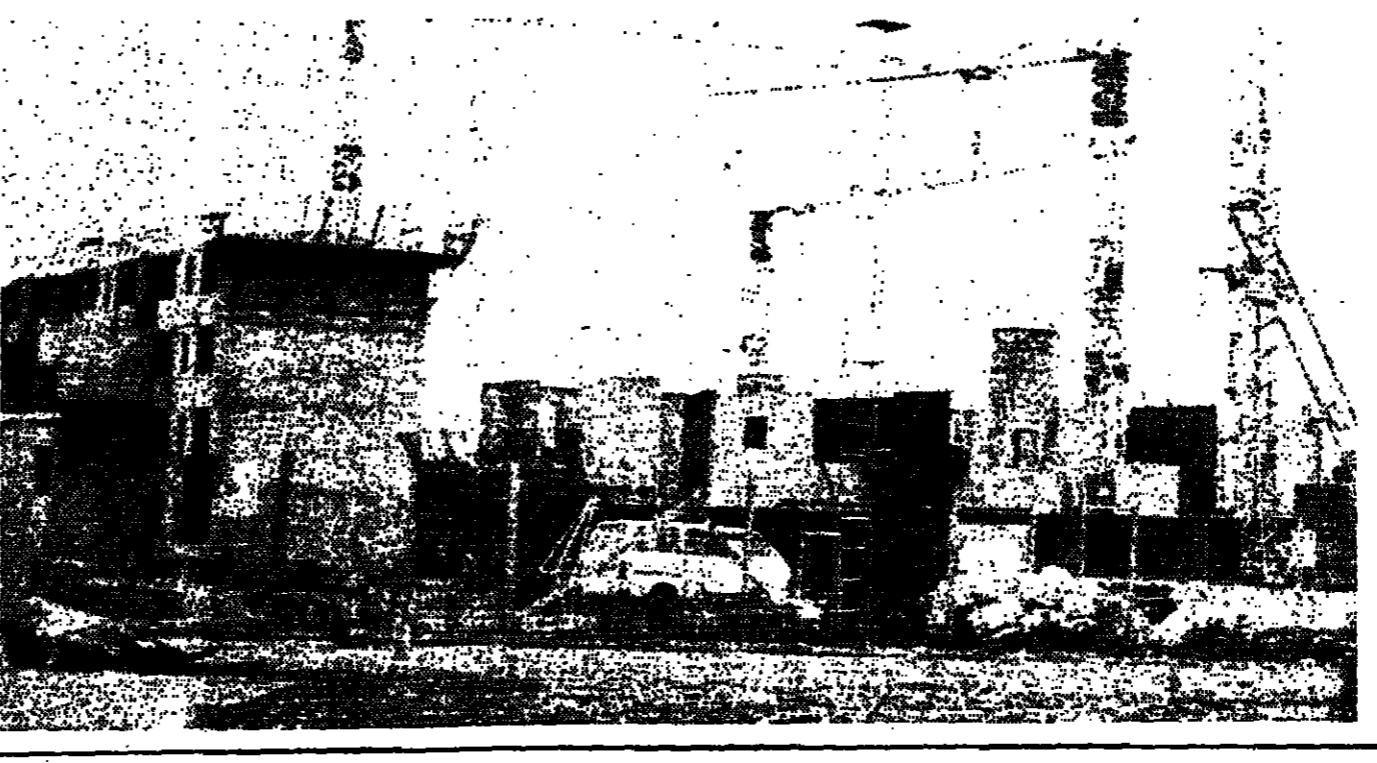
It is reasonable to assume that the problems of coordinating work at Abuja will be less intense once the first hurdles of infrastructure have been overcome. Roads, power, water and telecommunications all have to be in some state of readiness before the presidential departments can move in beginning next year, accompanied, it is said, by the Planning Ministry.

The ambitious Japanese design for the central area will involve major expenditures. Work costing 1 billion naira on four of the major buildings is to be let out to foreign

(Continued on Page 14S)



TAKING SHAPE — Construction of the new capital is under way in an area of striking natural beauty.



# NIGERIA

## Diversity Evolves in Dealings

(Continued from Page 75)

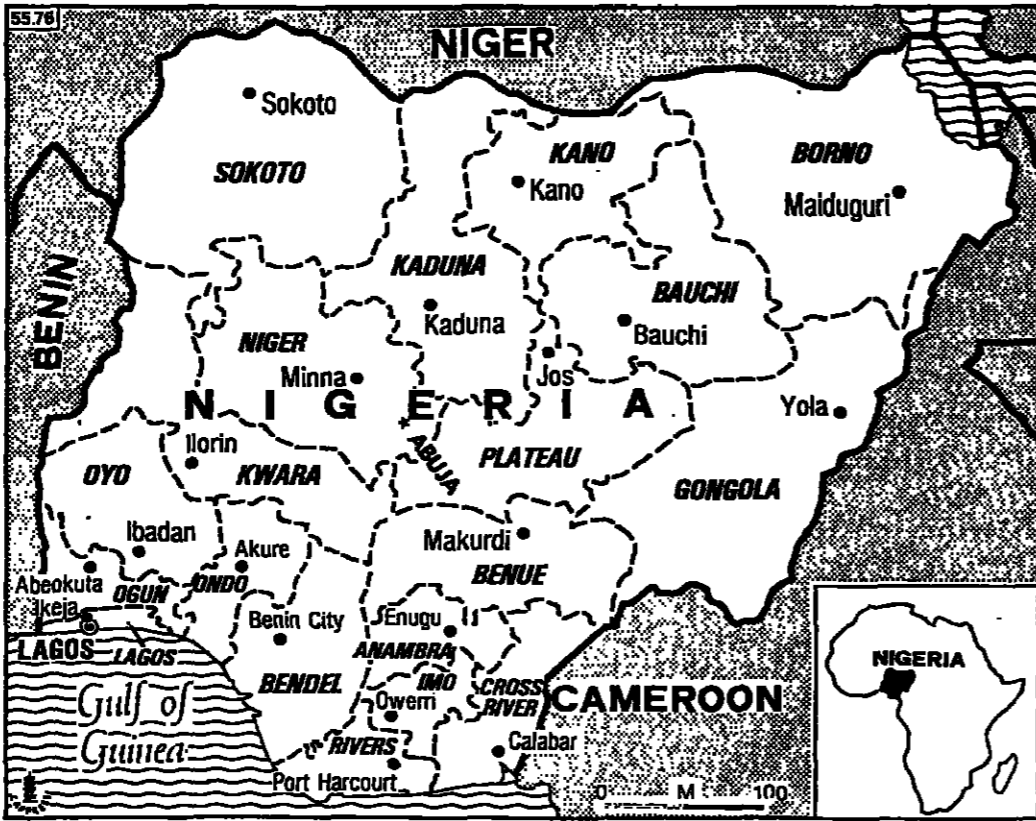
urers are rapidly expanding, and in 1980 Nigeria was black Africa's largest importer of Japanese vehicles. Honda motorcycles are being assembled in Ogun state. Yamaha is expected to start production later this year and Nissan's sales increased fourfold in 1980.

While the Nigerians prefer to deal with fellow capitalists, the Soviet Union gained an entry in the market during the civil war when it supplied the federal forces with arms that the West withheld.

The Soviet Union has been heavily involved in the Ajaokuta steel complex and several chemical plants, while Poland is active in maritime work, particularly fishing trawlers and shipyards. Czechoslovakia supplies a variety of engineering inputs and Hungary sells agricultural and health-related products.

In general, the Comecon countries undercut Western prices in the hope of developing long-term trade relationships. But Comecon trade has not taken off because Nigeria believes that the East is supplying outdated, secondhand technology acquired from the West. And the Eastern bloc has difficulty in establishing Nigerian business contacts because centrally planned economies prefer to deal with government organizations and this is not always possible in Nigeria.

The one Comecon country with which trade is growing significantly is Cuba. In March, the two countries signed an agreement to strengthen cultural, economic and scientific ties. Since then, Cuba has



become a technical partner in the \$588-million Sani sugar project. Nigeria senses that Cuba's experiences, as a developing country itself, may be particularly useful. Enthusiasm for technology already adapted to Third World conditions also underlies growing business contacts with Brazil and India.

**Phone System**  
In 1975, four Brazilian firms were invited to repair and expand Nigeria's telephone system; they had just overhauled Brazil's equally chaotic network. More firms have arrived, and Brazil's exports

to Nigeria jumped 164 percent in 1980. Brazilians are particularly active in water engineering and construction. "All our technical people have worked in similar soil and climate conditions at home," said a spokesman for a major Brazilian concern, Hidroservices.

Because of the similarities between Brazilian and Nigerian conditions, West Germany's Volkswagen decided to supply its Nigerian assembly plant with parts from VW's Brazilian subsidiary. "The West German parts couldn't cope with Nigerian conditions," a company spokesman said. "The Brazilian kits have sturdier suspensions and higher ground clearance."

The most recent example of cooperation is Nigeria's request that Brazilian firms advise the government on how to move its bureaucracy from Lagos to the new federal capital at Abuja. "We went through the same thing 20 years ago when we moved our capital to Brasilia," a Brazilian businessman said.

India has been equally visible; for example, Rail India Technical and Economic Services has been running Nigeria's railways since 1979.

## The Oil Question Seen Nurturing Uncertainty

By Richard Syngé

### COMMENTARY

LIKE most nations, Nigeria is going through domestic and foreign difficulties linked to the world recession and a rapidly changing international situation.

The most populated country in black Africa has recently undergone a period of uncertainty resulting from its overdependence on oil exports, its need to retain a strong African-oriented foreign policy in the face of U.S. President Reagan's conciliatory gestures toward South Africa and its search for a durable political system.

While such uncertainties are not new, there has been an unusual concentration of pressures for the last few months on the 2-year-old government of President Alhaji Shehu Shagari, just as it was beginning to look toward its re-election prospects in 1983. The government's reactions to its problems increasingly have to be seen in the light of the next elections.

A decline in government revenues resulting from a slump in oil sales since April is expected to have repercussions for government expenditures well into 1982, when the elections will be even more of an issue than they are now.

There has already been a dispute between the federal government and those state governments not controlled by the ruling National Party of Nigeria about the quantity of federal revenue to be made available to the states. This dispute will inevitably intensify with the financial stringency forecast in the coming months. The 19 state governments are almost exclusively dependent on federal money for their recurrent and development expenditure programs, and thereby for their own electoral chances.

The breakup last July of the NPN's governing accord with Nnamdi Azikiwe's Nigerian People's Party has increased the pressure on the ruling party to deliver what it has promised. The worldwide oil surplus hit Nigeria more severely than the other members of the Organization of Petroleum Exporting Countries. In the years since OPEC acquired clout in world affairs, the wealth from oil exports has not been able to transform Nigeria into a rich country in per capita terms. The present fluctuations in export receipts do not give rise to hopes of great wealth in the near future. Some oil company managers in Lagos think that Nigeria has reached its plateau in oil production.

development. It did, however, lead to the nation's most comprehensive development plan yet — for the years 1981-1985 — which for the first time accords priority to agriculture and rural investment. Since the current administration will be judged partly on the plan, it focuses on projects that the NPN has adopted as its own — primarily the new federal capital at Abuja and the steel complex at Ajaokuta.

By stressing agriculture rather than some of the glaring problems of urban unemployment and deprivation, the plan aims to halt the drift to the cities as the source. "There will be no need for anyone to leave their village and struggle to get to urban areas once they have the necessary amenities in their own areas," said National Planning Minister Adenike Egun Oyagbola.

### The economic recovery noted in 1980 was too brief to restore any equilibrium...

The government wants to introduce rice farming with the use of modern technology — it favors U.S. firms for that technology. It also hopes to attract big foreign investors into agriculture.

There is a race to inject "development" in Nigeria by means of conspicuous spending. This process is mirrored by the rapid growth of the political parties and power centers during the last two years.

As the financial difficulties at the early stage of the plan have restricted the Shagari administration's distribution of largesse, the four other political parties have been feeling increasingly shut out of the process of government and development. The loudest of the critics, Chief Obafemi Awolowo's Unity Party of Nigeria, has been joined by the NPP, whose accord with the NPN was broken in July.

The minority parties are too small individually to pose a threat to the smooth functioning of the federal government, but disruption at the state level is possible — as illustrated by the stalemate in Kaduna between the NPN House of Assembly and the People's Redemption Party government, which has prevented the formation of a state administration for two years.

The NPN's apparent willingness to search for consensus solutions came to an end with the culmination of the Kaduna affair in June, when Gov. Alhaji Balarabe Musa was impeached by the House of Assembly. The NPN was accused by the other parties of persecuting

the governor, and the NPP gave six months notice of wanting to end or renegotiate its accord. The NPN immediately scrapped the agreement.

After the break, the NPN lost control of several federal ministries but the political atmosphere was not immediately disturbed, as Chief Awolowo had predicted it would be.

**Limited Influence**  
The NPN has the resources to spread its activities nationally in a way that no other party can match, and the opposition parties' only chance of success at the polls in 1983 is through mergers or a coalition. The strongest of them, the UPN, is limited in influence to the four Yoruba states around Lagos and Ibadan and has a tenuous hold on Bendel state.

The NPN has only three states, the Ibo heartland of Anambra-Imo and Plateau state in the north, and the remaining two parties are localized in northern states and are both beset by leadership disputes. The PRP and the Greater Nigeria People's Party would, however, represent vital elements in any future attempts at coalition.

Kano state's PRP governor, Alhaji Mohammed Abubakar Rimi, has been the most prominent voice in calling for an opposition alliance, but it is a widely held view that the NPN at least would not respond to such overtures.

Nigerians are clearly not sufficiently accustomed to the four-year presidential system to be thinking en masse of the next elections, but the political leaderships at least are quietly planning their strategies.

The NPN is confident of a more decisive vote in 1983 than in 1979 because of its pre-eminence as a "nationally based" party and because the divisions within the PRP and GNPP and the geographical handicaps besetting the UPN and NPP make a coalition still seem remote.

Problems will arise if the new constitution proves inadequate in guaranteeing political freedoms or becomes inelastic to changing political realities. Financial difficulties have to be handled with more delicacy under civilian than under military rule.

Government spokesmen have recently described the economic situation as buoyant. Steering the country through the next few months will, however, be a considerable challenge. If it can still claim buoyancy a year from now, its chances of victory in 1983 will be considerable.

## Nation's New Constitution Reduces Arbitrary Powers of the State Governments

By Jimoh Gbadamosi

IN THE PAST, one of the reasons for instability in Nigeria was the arbitrary use of powers by some governments within the federation. Such abuses have been reduced by the new constitution, which has vested powers in the president, the legislature, the judiciary and the people.

Under the system, introduced with the 1979 elections, the president is the head of the ruling administration. The political resources available to him are varied; some are constitutional pow-

ers, while others result from the development of presidential responsibilities.

Broadly, he has considerable power to make appointments. By the selection of key administrative personnel, he can exert significant influence over government policy in every area. Many appointments are subject to the advice and approval of the Senate, however, and President Alhaji Shehu Shagari has always ensured that his political and nonpolitical appointments reflect the federal character of the country — meaning that they are equitably distributed.

Under the new constitution, the executive powers vested in the president are subject to the provisions of any law made by the National Assembly.

### State Government

Similarly, the executive powers of a state are vested in its governor. Subject to laws passed by the state's House of Assembly, they may be exercised by the governor directly or through the deputy governor and commissioners of the state government or officers in the public service of the state. The constitution also says that state ex-

ecutive powers shall not be exercised to impede the federal executive powers.

The National Assembly also generally has far greater powers than the state assemblies, as its laws generally supersede state legislation.

Judicial powers are vested in courts established for the federation and for the states. The Federal Supreme Court is the highest court of appeal.

The governor of a state can be impeached by the state House of Assembly if he is found guilty of

gross misconduct. The recent impeachment of Alhaji Balarabe Musa, then the governor of Kaduna state, showed how powerful a state legislature can be in relation to the state executive. Gross misconduct is defined in the constitution as a grave violation or breach of the provisions of the constitution or as whatever the legislative deems it to be.

### Constitutional Problems

The Nigerian presidential system has had some constitutional problems since its inception. Many

were political issues that were turned into judicial ones, especially by politicians, state governors and some individuals seeking justification, clarification or redress from the courts.

The first major amendment was that of September, 1979, when the electoral college system was abolished and replaced by a popular election in the event of an inconclusive presidential or gubernatorial election. It was felt that the retention of an electoral college was bound to create political upheaval and lead to corruption.

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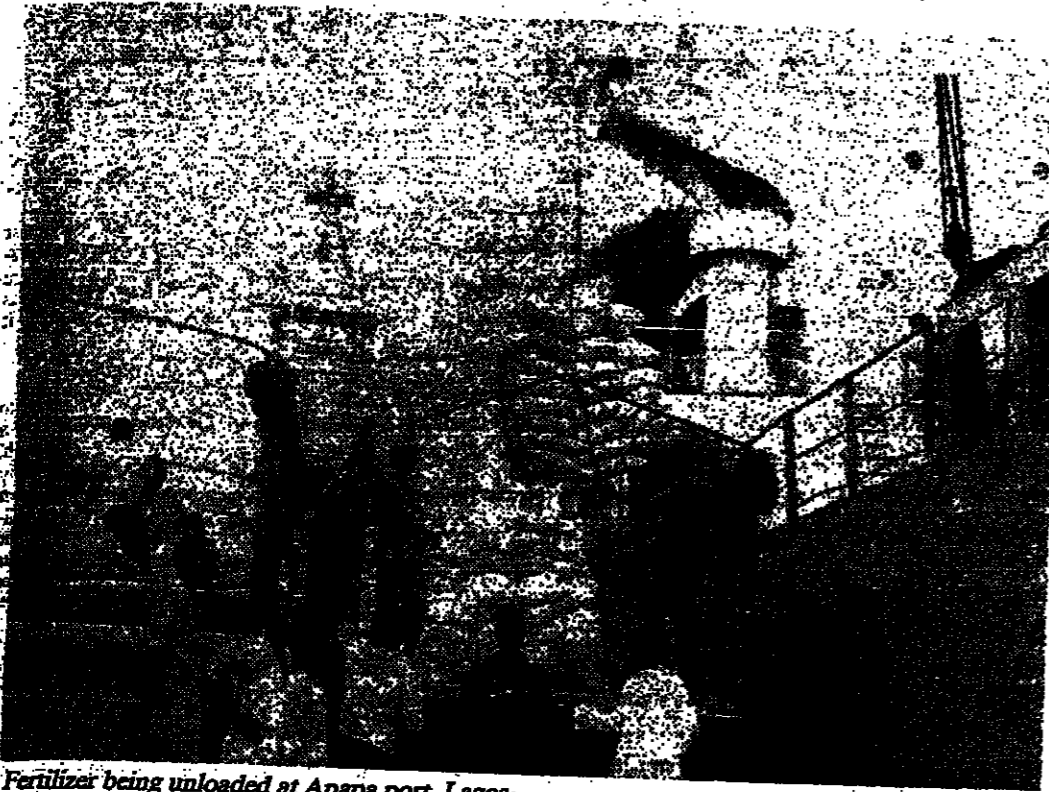
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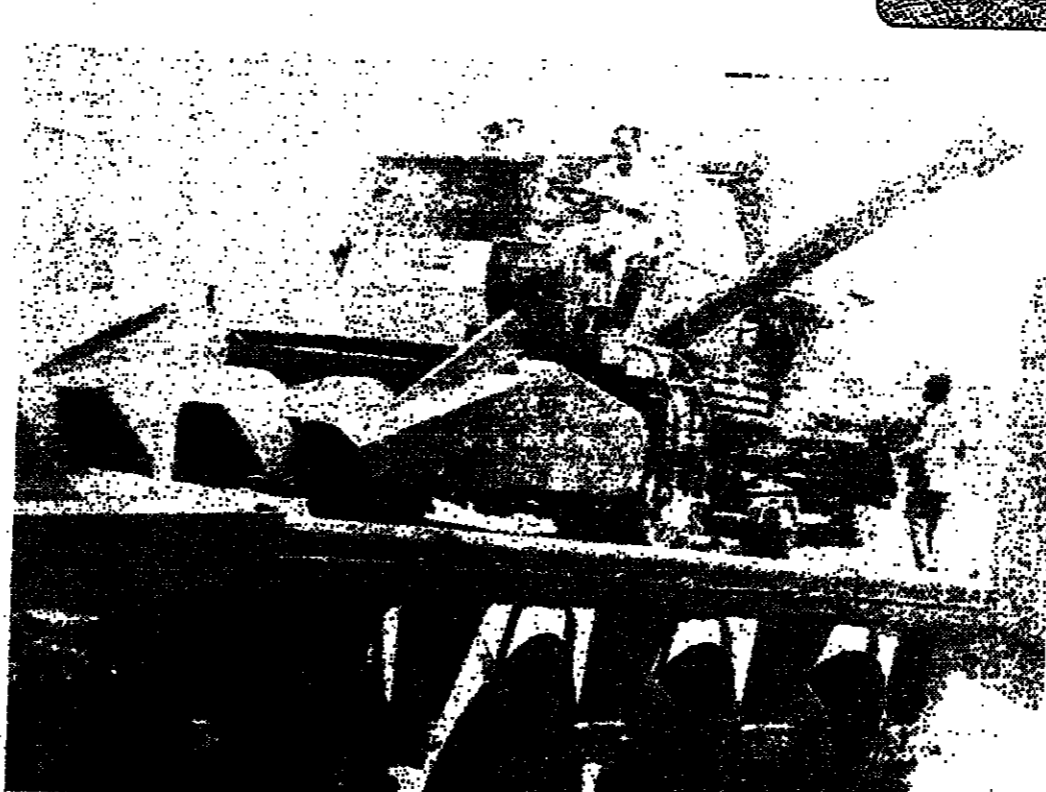
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**NIGERIA**



Fertilizer being unloaded at Apapa port, Lagos.



Harvesters and plows were among the farm equipment on display at Kaduna agricultural fair.



Yams, among staple crops, are offered at the market in Agbor.

**Gains in Agriculture Are Given Top Priority as Oil Euphoria Fades**

ONCE self-sufficient in food, with a modest surplus of cocoa, palm oil, peanuts and rubber for export, Nigeria now imports more than 1 billion naira worth of food annually, a tenfold increase in 10 years. At more than 2.5 million tons per year, food imports account for about one-fifth of the import bill.

In the short term, the situation can only deteriorate. Agricultural production growth is only 1 percent a year while population rises 3.5 percent to 4 percent.

The main cause of the agricultural collapse is the euphoria brought by oil. Farms have been abandoned as young men and women go to the cities in search of jobs in offices that have sprung up on the strength of the oil boom. The average age of an agricultural worker is now 40 and rising. The rural population has declined from 71 percent of the total population in 1960 to 56 percent in 1980.

As oil brought in money, the authorities neglected agriculture. Low public spending on rural facilities and poorly planned agricultural programs accelerated the decline in food and cash crop production. What Nigeria did not grow, the authorities assumed, it could buy with oil revenues.

But the government is now fear-

ful of the long-term implications. Oil reserves will probably last 20 years at best and, in the meantime, food imports threaten the balance of payments. Under President Alhaji Shehu Shagari, the government has moved to reverse the trend of falling production.

The 1981-1985 development plan gives agriculture priority. Even if oil revenue shortfalls force planners to trim the plan, agriculture should keep its claim on government resources. It is to receive 13 percent of total plan expenditure — currently set at 82 billion naira — against the 6.5 percent it was allocated in the previous plan. The government hopes to push agricultural production growth to 4 percent during the plan period and to become self-sufficient in food by 1985.

Unlike past programs, the new "Green Revolution" strategy acknowledges the crucial role played by small landholders, whose two-to-three-hectare farms produce 97 percent of the agricultural output.

A key factor is the Agricultural Development Project (ADP) program. Introduced by the World Bank on an experimental basis, pilot ADPs substantially increased the yields of small farms, and the program is to be expanded. "The ADP program is one of the few ag-

riculture schemes that has ever worked in Nigeria," said a World Bank spokesman in Lagos.

ADPs are essentially networks of support services organized from central Farm Service Centers, which provide farm inputs (fertilizers, chemicals, seeds and machinery), training in improved methods, credit, marketing facilities and other extension services. An ADP project can also include the construction of rural roads and irrigation facilities, and price subsidies on materials.

The government would like to extend the ADPs to the entire country but the cost is prohibitive. Instead, the pilot ADPs will be expanded in the seven states that participated in the original experiment: Kaduna, Sokoto, Bauchi, Borno, Plateau, Kwara and Niger. Other states will receive scaled-down ADPs called Accelerated Development Area programs (ADA). These will include many core elements of the ADPs, such as basic extension services, help with input distribution and rural feeder roads. When money is available, the ADAs will be upgraded to full ADPs.

The ADP-ADA program will cost 2.3 billion naira from 1981 to 1985. The federal government will meet about one-fifth of the bill,

with the balance provided by the individual states and World Bank loans.

Farmers not immediately covered by the ADP-ADA program are not ignored. All farmers are to receive subsidized fertilizer. If current subsidy policies continue, the government's fertilizer bill by 1990 will equal nearly one-quarter of the public expenditure for agriculture.

**Road Network**

The development plan includes provisions for improving the general rural road network. Less than 10 percent of the rural feeder roads previously built by the government have all-weather surfaces, and many roads wash out in the rainy season. Nigeria has less than 4 percent of the advised minimum mileage of all-weather roads at present, but the government hopes to increase the figure to about 50 percent by 1985 at a cost of 700 million naira. Efforts will be concentrated on the most productive agricultural areas.

The other main rural infrastructure weakness, poor water supply, is also dealt with outside the ADP-ADA programs. Facilities to irrigate 1.4 million hectares are planned, while 1,500 bore holes are to be drilled.

The 900-million-naira irrigation

program will be supervised by Nigeria's 11 River Basin Authorities — federally funded organizations with responsibility for developing resources in the major river valleys. They also provide some extension, input supply and marketing services to farmers within their boundaries.

Efforts are being made to improve producer prices. Low returns in the past have caused farmers to smuggle produce into surrounding Francophone countries, where they are paid in CFA (for African Francophone Community) francs, a hard currency. Immediately after taking office, President Shagari raised prices for the cash crops bought by the government's commodity boards (administered by the central bank), but a comprehensive price policy has yet to evolve.

**Credit Reserve**

Finally, apart from the special credit facilities in the ADP-ADA program, the government is improving credit nationwide. Commercial banks have been instructed to reserve 8 percent of their loan money for agriculture, up from the 6-percent requirement. In addition, banks are being forced to open branches in rural areas, and the government's Agricultural and

Cooperative Bank is to have its lending fund substantially increased.

A credit problem remains, nevertheless, because small producers have no collateral, and most loans therefore go to large producers. The Agricultural Credit Guarantee Scheme, intended to protect banks against unsecured loan defaults, covers only 75 percent. Banks want 100-percent coverage.

While the plan focuses on the small holder, the government is also anxious to encourage large-scale production. Unlike in the past, the role of private entrepreneurs will be emphasized, and increased incentives are being devised to attract investors.

In an attempt to entice foreign companies to bring in agribusiness technology and capital, the government earlier this year raised the foreign equity limit on agribusiness investments from 40 percent to 60 percent.

**Consolidation**

In answer to potential investors' complaints that it is virtually impossible to obtain clear title to large tracts of land, the government has stepped in with a land consolidation scheme. Previously, investors found that negotiations with small holders took an inordi-

nate amount of time, and often relatives of former residents would turn up years later claiming title, as the land was originally held on a communal tribal basis. The title problem is particularly acute in the south. Under the new proposal, the government will negotiate leases in many cases, contributing the land as its share of a joint venture with the interested investor.

Finally, the government recently announced that it will contribute to the cost of land clearance, which can run from 500 to 1,000 naira per hectare.

The investment incentives are slowly paying off. In June, Beatrice Foods of the United States announced plans to invest \$150 million in an 80,000-acre tomato growing and processing operation in Plateau state, and many other companies are exploring investment possibilities.

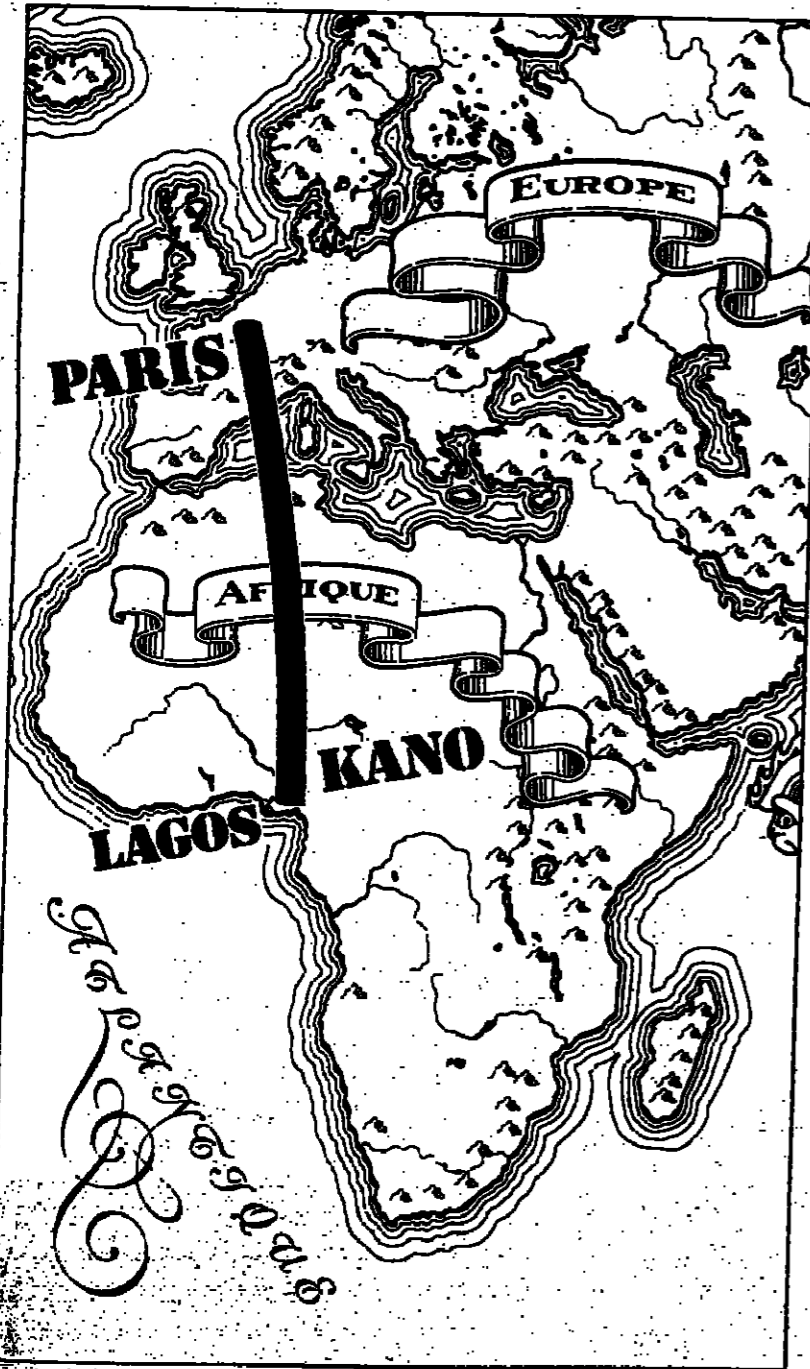
Nigeria is clearly addressing its

agriculture problem with renewed vigor, and some improvements can be expected during the next five years. But an important issue remains.

If the present domestic production policy continues, it will increase food prices for consumers — high production costs make local supplies much more expensive than the imported equivalents. If local production takes off, as the government hopes, and if local produce is protected by import tariffs, as is likely, the consumer will lose out. The government may then face political pressure to readmit the cheap imports, which will undercut the local producer, forcing him to sell at an uneconomical price. In such circumstances, incentives for both the large and small producer will decrease, and production could well stagnate again.

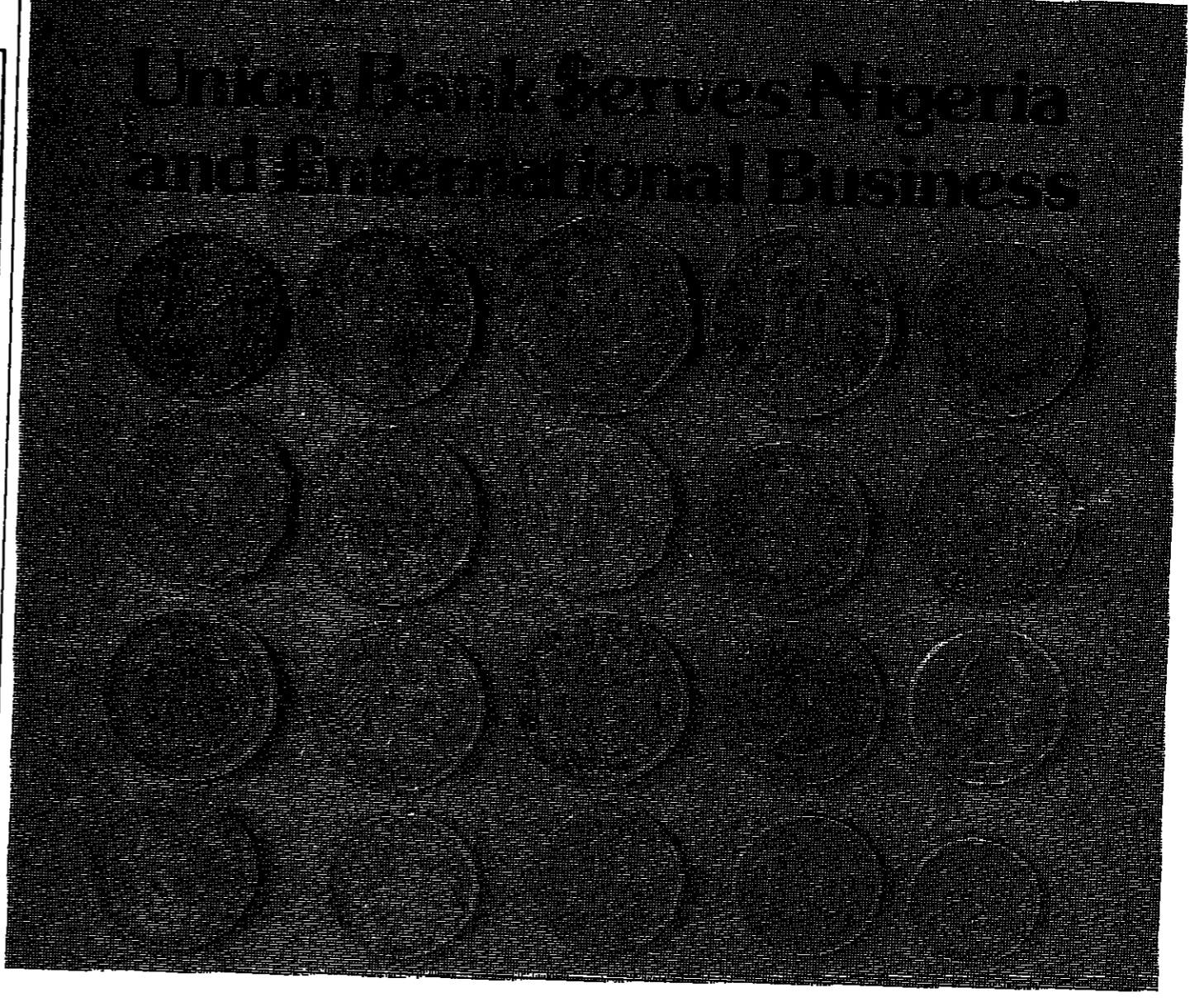
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# NIGERIA

## Railroads and Highways Are Expanding

**R**AILWAY construction was begun in Nigeria in 1898 — when there were no good roads except those within townships — to develop agriculture and mining for export and to facilitate government administration.

When the main line was completed in 1927, it formed the backbone of the railway system for more than 30 years. Except for the building of feeder branch lines in the 1930s, no major construction took place until 1959, when the 398-mile Kuru-Maiduguri extension in the north was begun with the help of a World Bank loan and local financial resources. When this project was completed in 1965, the rich northeastern area was at last linked with the rest of the country.

The railway system, which now totals 2,180 miles, is run by the Nigerian Railway Corp., a statutory body that took over the assets and

liabilities of the Government Railway Department in October, 1955.

The railway is predominantly a long-distance carrier of freight, passengers and imports. The main line can handle 24 trains a day in each direction on the Kano-Kaduna-Minna Section, 20 on the Minna-Lagos and 18 on the Kaduna-Kafanchan-Port Harcourt section.

### Major Employer

The railway is reportedly the largest employer in Nigeria, with a labor force of more than 28,000.

The federal government has approved the conversion of the railway system from its 1,067-millimeter gauge to the standard gauge of 1,435 millimeters. The first phase of this construction is expected to start from Port Harcourt to Makurdi and Oaukpo to Ajaokuta, a total distance of about 450 miles.

The earnings of the Railway Corp. are expected to be about 80

million naira this year, a considerable improvement for which Railway India Technical Services — the team invited by the former military government to take over the management of the railway in 1979 — can take credit. In 1978, before the Indian team came, the corporation reportedly earned only 30 million naira.

The railway believes that passenger traffic will reach a target figure of 12 million this year and a record of 18 million by 1983.

About 3,000 Nigerians have had on-the-job training in various technical divisions of the corporation, while 500 have been sent overseas for training and will have returned to Nigeria by next year.

### Road System

The first trunk road in the hinterland was constructed in 1905. Rough roads were no doubt in existence in Lagos and other

parts of the country at the beginning of the 20th century. The main purpose of early road construction was to facilitate the movement of agricultural products to the ports for exporting and the transportation of manufactured materials from the ports to the townships.

The road system has expanded tremendously. In 1977, it measured about 70,000 miles, and the government has been undertaking a major construction program. The highways account for about 70 percent of the movements of goods and persons and are the dominant mode of transportation.

Over the years, successive governments have attached importance to road development.

In the 1975-1980 development plan, for example, an estimated total of 7.3 billion naira was allocated to capital expenditure in the transport sector, about 5.34 billion naira of that for roads.

— JIMOH GBADAMOSI



Victoria Island — one of the havens from the rigors of modern-day life in Nigeria.

## Humor, Patience Overcome Hustle, Bustle

**T**HE HUSTLE and bustle of life in Nigeria — which sometimes appears to be sheer confusion — often arouses frustration, but it can be taken philosophically. As in any part of the world, humor, patience and determination make for the best chance of success — only in Nigeria you often need more of all three.

Unless the visitor is in the haven of Victoria Island, Lagos is as much of a city bursting at the seams as it ever was. Many of the new expressways are liable to be congested for several hours a day, and the side roads and slums are no less disorderly and hazardous than they were shortly after the civil war, when conditions first declined seriously.

The most visible public activity is petty trading at market stalls and by "go-slow" boys, who make up a mobile hardware and soft furnishings store ready to greet the car rider at every expressway turn-off.

Driving is hazardous, with bald tires common, and some of the highway overpasses are showing

signs of disintegration through a lack of maintenance. The problems of housing and sanitation remain severe for the Lagos state government, which is running out of cash to complete its slum clearance and improvement programs.

### High Rents

Whole areas of Lagos are without telephones, multiplying the time spent in traveling to find people. The most efficient quarter is the area of Victoria and Ikoyi islands, although few businesses and organizations can afford the high rents there.

The variety of activity in Lagos means that everything is available somewhere, although it may not be easy to find. There has been a surge of reasonable accommodation in Ikeja, which is fast developing as an accessible adjunct, or even as an alternative, to Lagos. In fact, perhaps only the development of alternatives like Ikeja or the federal capital city of Abuja can solve the traffic congestion and other inadequate services in Lagos.

Meanwhile, the national road

network has been generally much improved. It primarily needs local improvements and overall maintenance. The accident rate is still high.

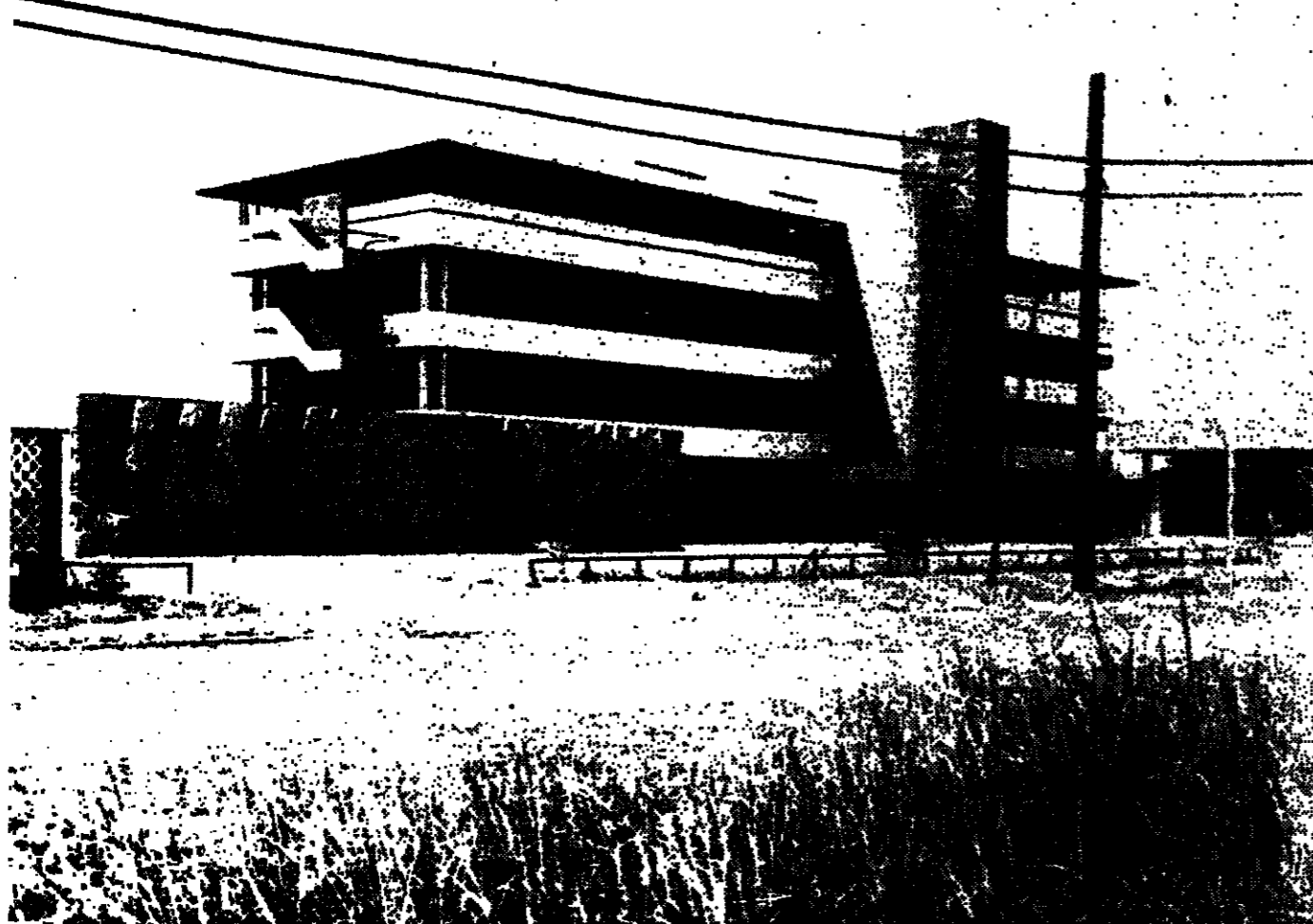
Another hazard in Nigeria is the high level of crime, which results from widespread disorganization and high urban unemployment. Earlier in the year, there was a spree of what is referred to as piracy, the raiding of ships at anchor off the ports. No such cases have recently been reported, perhaps because of a combined military and police operation to control them. There is still robbery on roads at night, although the police claim to have controlled the situation.

These problems are symptoms of a rush for wealth by Nigeria and many Nigerians. Two worlds coexist in uncomfortable proximity: great wealth and harsh poverty. Huge sums are committed daily to construction and development projects, and it is hoped that the spending will filter down to improve the standard of living.

Although the speed at which some of the biggest business is transacted creates an illusion of development, nearly all parts of the country are in dire need of basics. The large cities in particular are deprived of refuse collection in most areas, while sewage, drainage and water supplies are inadequately maintained. "I sometimes think we are the most underdeveloped of all the developing countries," a Nigerian businessman said recently.

Surprisingly, the traditional courtesy and politeness are not diminished by the difficulties of life. Only in situations where the sheer crush of people raises tension does the good humor evaporate. The labyrinthine arrival and departure procedures at Kano International Airport and money-changing in crowded banks illustrate the bureaucratic inability to cope. But for the most part, visitors can expect both help and a concern for their welfare when they are in difficulty.

— RICHARD SYNGE



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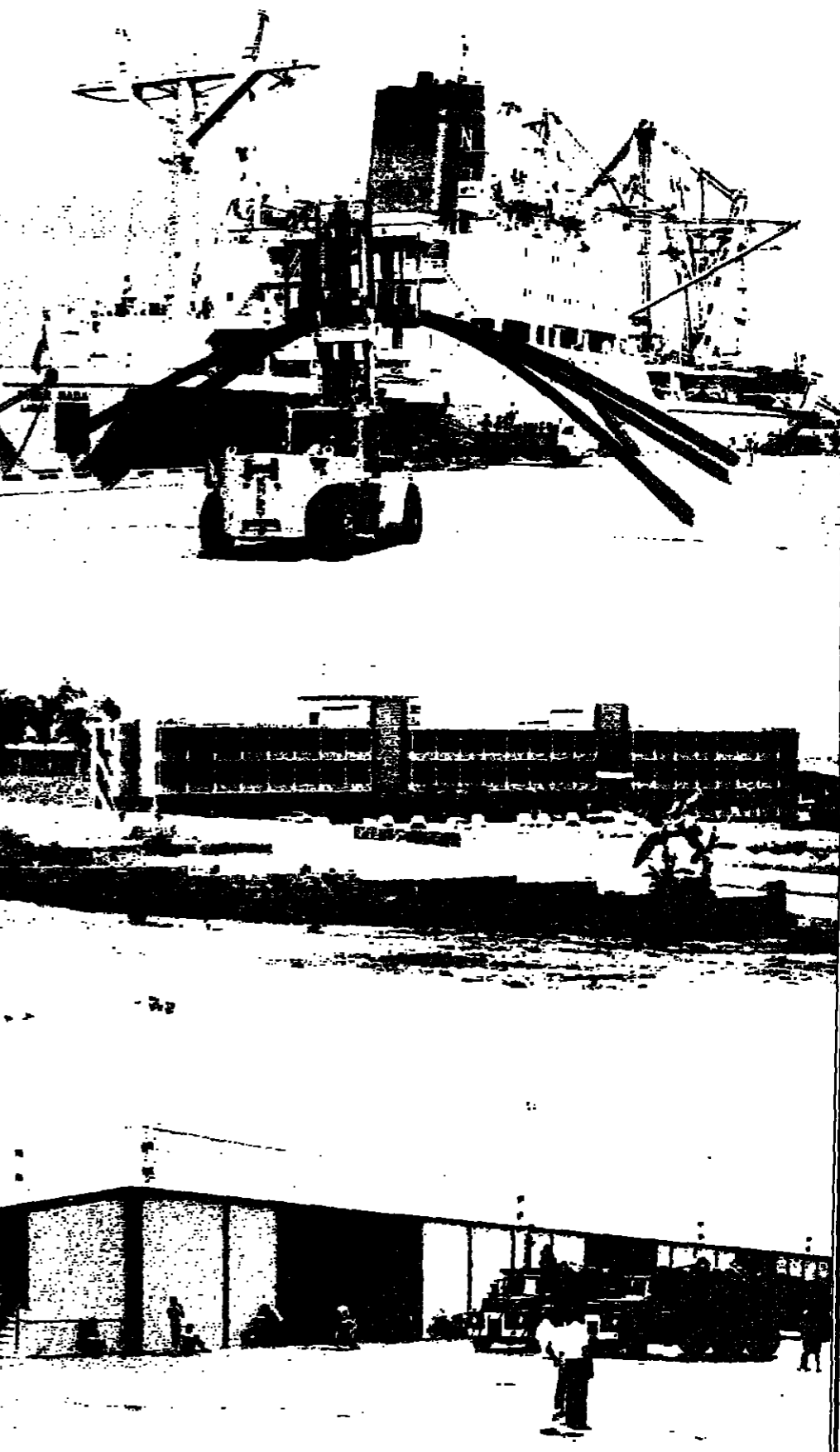
*Handwritten signature: J. K. ...*

**NPA**

Nigerian Ports Authority  
26/28 Marina, Lagos



**PORT OF CALABAR**  
DECLARED OPEN  
BY  
THE HONOURABLE,  
CHIEF OF NAVAL STAFF,  
VICE-ADMIRAL MICHAEL A. ADELANWA  
ON  
9TH OF JUNE 1979.  
ENGINEERS & SUPERVISOR: ENGINEERING DEPARTMENT, NIGERIAN PORTS AUTHORITY, LAGOS  
CONTRACTORS: ROYAL NETHERLANDS HARBOURWORKS CO., GOUDA - HOLLAND  
CONSULTANTS: NORCONSULT A.S., OSLO, NORWAY



**THE BRAND NEW PORT OF CALABAR By Rupert Bibra**

The Nigerian Ports Authority (NPA): Just to give you an idea of the size of the NPA and of the volume of trade handled by it, during a twelve month period in 1978/79, 6,322 ships sailed to Nigerian ports and their net registered tonnage totalled 68.5 million tons. The major ports are Tin Can-Apapa-Lagos complex, Port Harcourt, Warri and Calabar and the 3 Oil Terminals of Escravos, Forcados and Pennington (453 of the ships and 28.9 millions of the overall tonnage).

This page is devoted to Calabar because the shipping world appears to have clung to misconceptions about "an old-fashioned and small shallow water port up a winding river" - quoting a Sea Captain who must have out of date Reference books. The NPA secured \$2 billion from General Murtala Muhammed to modernise its ports during the 3rd Development Plan period - in those days ships had to wait up to 180 days before unloading and often over 300 ships would be at anchor beyond the Lagos Bar. In 1979 the NPA brought on stream 4 new ports - Tin Can, Apapa Container/RoRo, Warri and Calabar - and so at a stroke caught up with the logistical problems that had cost Nigeria billions of \$s. Warri's new port was built to serve the central and northern hinterland and the new Calabar port was built to serve the East and the North-Eastern states, taking pressure off Port Harcourt and opening up a larger catchment basin for itself to North Cameroon and Chad.

**OLD CALABAR:** When the NPA took over the harbour installations at Calabar from private operators in '69 these meagre facilities consisted of scattered jetties and wharves located at the foot of a cliff and could not be considered a port in the modern sense of the word. Annual cargo tonnages handled in the years 1969-75 remained around 100,000 tons and only ships with a draught of less than 6 meters could use Calabar at all. The town itself was cut off from the mainland & cargoes for the hinterland had to leave by car-ferry or barge - now there is a bridge. The Norwegian government helped to change all this. Planning for a new port began in '72 and work on it commenced in Oct. '76, being completed ahead of schedule in June '79. Norway, Holland, Belgium and West Germany have all given their expertise to build for Calabar an ultra modern port.

**NPA's Port of CALABAR:** This selection of photographs has been chosen to show to you this splendid new port and the people who built and operate it: 1/. 5 vessels, each of 160 meters length overall, can be worked from the Esuk Utan quay at the same time 2/. The commemorative tablet for the commissioning of the new port 3/. The RIVER MADA, Nigerian National Shipping Lines, alongside 4/. The Port Manager's office (with clinic attached) 5/. Looking down on Esuk Utan Quay and the Calabar river 6/. One of Esuk Utan's 3 large transit sheds, rigged with Lighting for 24 hour working of the ships 7/. The Port Manager, Mr. Akpan, inspect storage of palm kernels for export in one of the two large warehouses 8/. A cargo of 110 tons, landed safely at Calabar, is transported swiftly to the North on the new expressway system 9/. Bishop Usanga amuses Colonel Onu and Chief N'Kpang, the AGM of NPA 10/. Alhaji Tukur, NPA's General Manager, helps at the hatching of his branchchild - June 9th 1979.

CALABAR lies some 40 nautical miles from the open sea (to Fairway Buoy) and 5NM from the main entrance channel of Cross River. Before proceeding up the Calabar river it is mandatory to embark a Pilot off Parrot Island. There are presently 26 buoys marking the channel - in '79 designed to more than 7 meters below chart datum and now being further deepened to 9 metres - up the Calabar river and there soon will be 52, bringing buoyage to the highest international standards. Proceeding up river, Calabar at first sight doesn't seem to have changed much but two new buildings have joined the old skyline of the Catholic Cathedral and the Hope Waddell school chapel - Atlantic House is the new HQ of the Nigerian Palm Produce Board (in 1980 they exported 53,800 tons from Calabar; they operate in 15 states but Calabar is the centre) and the brand new Mercantile Bank Building (a bank that made Naira 12 million net profit in '80) now dominate the skyline. As the river takes its 'S' bend - this is what limits ships' length to under 180 meters - to Esuk Utan Quay, ships will pass the small battle scar'd Dockyard, the Naval Base and the old harbour. Then comes the large Cement works before vegetation closes in again on both banks and the mooring buoys for lighter discharging appear over by the western bank of the river. The river is

still tidal here with a maximum rise and fall of 1.56 meters, and as the ship completes turning through the 'S' bend the new Army 'Armoured River Patrol' Depot hoves in sight. Immediately beyond it lies the Calabar Port Development - just as you see it in these pictures. Shipping lines removed the 5% shallow water surcharge for Calabar designed cargoes in '80 and Hamburg based COWAC now offer a discount on cargoes routed through Calabar, UKWAL may follow. Yet shipping lines and Forwarding/Clearing Agents are being slow to take advantage of the faster turn-round that Calabar now offers. In 1980 Cargo throughput barely exceeded 200,000 tons and even the 195,357 ton figure for the first six months of '81 is a poor one when one considers that Calabar can work up to 18 ships at the same time and should handle one million tons per annum as of today's preparedness.

**TECHNICAL SPECIFICATION:** For approximately 100 million Naira spent so far, Calabar has its new deeper approach channel, an 860meter quay, large modern transit sheds and warehouses, a very large tarred area for stacking containers & for parking, secure boundaries (the police and customs offices command a view of almost all the fenced area of the port), bunkering by MOBIL, 13 metres of water alongside the quays and for the turning basin, dual-carriage linkage to the new Expressway system, direct access to a new industrial zone (the first factory, MATCHES, is about to be commissioned) and Free Zone - where it is hoped Chad and Cameroon will build warehouses, engineering workshops, a fire station and all modern services - including workman's canteen - all round the clock. Just write to the Port Manager, or telex him on 65107 Answer-back PAMBOD for the full technical specifications - or ask your shipping agents (Amami, Express Reliance, Iboku Commercial, Joki, Panalpus, Triana etc.) or your bank (Union Ist, UBA all have Calabar branches; quite apart from MERCANTILE's HQ).

At the time of writing, Calabar is taking delivery of 9 Portal Cranes of 3-5 ton capacity that will be mounted on the rails alongside the Esuk Utan quay. These will be backed up by 6 mobile cranes of 25-30 ton capacity and 56 Forklift trucks from 3-30 ton capacity. In the '82-'85 Plan

for Calabar's development, orders have already been placed for one Portainer crane (a million Naira 'Portique') and a Ro-Ro Platform. Of course Calabar must have Portique and Roll on-Roll Off capacity by '85 Containerization offers 3 times the handling speed of conventional methods but not all cargoes are suitable for it. The Container/Ro-Ro quay will be built next to Esuk Utan quay in the direction of the Army Depot (down-river), whilst more of the General Cargo handling quays can be built up-river towards the Turning Basin as traffic grows - plans are flexible, but Calabar has spare capacity NOW and shipping lines should be aware of it.

**PROGRESS:** Calabar is beginning to perform its new functions - offered by the modern port and Expressways to the North & North-East: Ikom, Ogoja, Katsina-Ala, Jalingo, Yola, Maiduguri, Ngula etc. Branches of this road reach Plateau & Kano states and good paved roads extend into Imo - Anambra states. As Agriculture begins to climb back to its mid sixties peak (both the Rubber & Cocoa Boards have offices in Calabar) much larger tonnages of produce will be shipped from Calabar - rubber, palm kernels, palm kernel oil, cattle cake, groundnuts and coconuts, plus limestone & gravel and in turn, imports of rice and wheat will increase. The Nigerian Palm Produce Board alone could double its exports through Calabar as harvests head back to 1965's 205,000 tons peak (not ALL through Calabar). New mobile conveyor belt equipment - flown in by Hercules - is being tested at Calabar. Limestone exports to the 'Russian' steel mill promise important new business. Ashland has joined Mobil in moving its Nigerian HQ to Calabar and ancillary organisations will now follow. The gravel wharf up river from the Turning Basin continues successful operation - Coastal traders load up to 1,500 tons per ship & transport this freight to Port Harcourt. Other major businesses in the area include the Nigerian Newsprint Co. and the Palm Kernel Crushing mill (at Abak), the Flour Mills, the Cross Rivers State Brewery and Asbestonit Co. - who will be next?

Write to NPA, 26/28 Marina, Lagos - the PRO's Office or, direct to: The Port Manager, N.P. Authority Building, Calabar - Esuk Utan, telephone no. 221179 Telex no. 65107, Answerback PAMBOD.



# NIGERIA

## Budget Reviews Accompany Vicissitudes of Oil

NIGERIA has felt the recent worldwide oil surplus in two ways: a severe slump in the value of exports in the third quarter of the year, and a drop in the federal government's revenues, affecting expenditures for the rest of the year and into the early part of 1982.

While some erosion of the foreign exchange reserves — which stood at more than 5 billion naira for the first six months of the year — is expected by the end of 1981, the balance-of-payments situation appears to be manageable.

Venturing a forecast for total 1981 foreign exchange flows, the president's economic adviser, E.C. Edozien, said recently that the net outflow would be about 14.3 billion naira and the inflow (export payments) 13.4 billion naira, leaving only a small reduction in reserves over the year.

If the payments situation is easier than some economic commentators have predicted, the same cannot be said of the operations of the federal and state budgets.

### Health Services

Some federal ministries have had financial difficulties for some months, following an earlier government decision to reduce public expenditure. Especially hurt were health services. Educational spending, largely a state government responsibility, has also been hurt to the extent that some states can no longer pay their teachers.

Some states have recently announced cuts in capital and recurrent spending. In Ogun, the cuts are about 25 percent for new projects and 15 percent in operational spending.

Confirming the need for government austerity, the president's budget director, Chief T.A. Akiyeye, recently announced that

### The competing demands of various projects pose a thorny problem for economic planners.

budget estimates for 1982 would have to be cut by 30 percent.

Given the predominance of the public sector in Nigeria, it is clear that by regulating the annual budgets to suit present economic constraints the government will also have to apply the brakes to parts of the ambitious 82-billion-naira 1981-1985 development plan.

The Planning Ministry is proposing no serious revisions of the plan. An official notes that annual budgets many reorder some of the expenditure "but what is in the document itself remains intact as a total picture of our needs." He added: "It is difficult to see what will happen over the next five years. If the oil sector picks up, it should be possible to accelerate the process of plan implementation."

The plan remains a useful measure of the government's economic ambitions. Some of its original assumptions, however, have to be reconsidered, notably its anticipation of aggregate budget surpluses during the five years of 33.6 billion naira. But it did accept the possibility of substantial borrowing, on the order of 16.9 billion naira over the five years. This figure, in many bankers' and economists' estimation, could be increased.

It is too early to measure the accuracy of the plan's growth forecasts: Gross domestic product was supposed to increase by 7.2 percent a year with the manufacturing, utilities and communications sectors increasing by 15 percent a year.

The early signs are that 1981 is a

bad year in which to measure the growth rate. After a GDP growth of more than 8 percent in 1980, including 10 percent in manufacturing, the outlook for the whole economy and especially for industry is not good.

Mr. Edozien recently noted that any economic decline this year would be due to the delay in getting legislative approval for federal and state budgets, combined with the negative effects of trade union militancy earlier in the year and smuggling, which is strangling some industries.

The government is convinced, however, that the economy as a whole can still be buoyant during the next 12 months, sustained, no doubt, by the high level of imports and resultant domestic commerce.

### Thorny Problem

Setting next year's austerity budget will be a thorny problem in view of the competing demands of projects, with priorities such as Abuja (the new capital city) and Ajaokuta (the country's basic iron and steel industry). The capital spending costs will have to be weighed against the recurrent demands of state governments, social spending, the armed forces and the river basin authorities.

For big projects, the government does have the possibility of raising foreign and domestic loans. "The capacity for borrowing is there and so is the servicing capacity," a merchant banker said. Meanwhile, however, the government's creditors are noticing the application of the more usual government procedure for coping with inadequate revenues: delaying disbursements.

If the federal government goes for intensified foreign borrowing, it will want to control the situation and it has issued warnings to state governments who have assumed that they have continuing access to foreign loans. Finance Minister Victor Masi rebuked the state governments in August for seeking foreign loans and said his ministry would no longer be so keen to grant approval for them.

The government is determined to continue to direct large sums into agriculture, a sector that is not necessarily going to respond in the planned manner, although at the very least this can slow the drift from the countryside to the towns.

Much of the emphasis in the "Green Revolution" program is on rice production. Maize is also re-

ceiving attention. Through the agency of both the World Bank and the 11 River Basin Development Authorities in the country, small and large commercial projects are being put together throughout the country.

The introduction of advanced-technology agricultural schemes is made possible by the setting up of the Joint Agricultural Consultative Committee with U.S. agribusiness firms. A U.S. company is expected to join in establishing a major rice project in the near future and rice mills around the country. Rice milling has been moved from the category of businesses that have to be 100-percent Nigerian-owned and can now have up to 40-percent Nigerian participation.

The government has also agreed to pay 50 percent of the land clearance costs of any approved agricultural project involving foreign investors. It may also step in to resolve land tenure problems if necessary.

Western agricultural experts say that Nigeria is unlikely ever to produce enough rice for its needs but that there is a good future in maize, although farmers in the potential maize areas are unwilling to stop growing the traditional crop of millet, which is not as versatile in its end-uses as wheat or maize would be.

### Exports

Whatever the needs for diversification of economic activity in Nigeria, the country is forced by circumstance to look hard at its future as an exporting nation. So far only natural gas presents itself as a potential export substitute for oil.

There are serious questions over the ability of the country to sustain its present level of imports, which have doubled since October, 1979, to 1.2 billion naira a month.

The rising cost of imports is due as much to development expenditure and the arrival of heavy machinery and capital equipment as it is to the importation of food. Neither of these two areas can be curbed easily, leaving the area of consumer goods as the only possible target for import cuts.

It would be politically difficult for the president to announce any import cuts, as many of his supporters remember the effects of the former military government's import bans of 1979, when many traders and contractors went out of business. In fact, from these quarters there is pressure to lift some of the remaining bans. In the meantime, the flourishing smuggling activities in the south show no signs of abating.

— RICHARD SYNGE



The Nigerian National Petroleum Corp. oil refinery at Warri.

## Slumping Oil Market Poses Challenge to the Economy

(Continued from Page 7S)

tion many reach 10,000 (of whom perhaps 2,000 will be foreign technicians) with housing, food and recreation requirements.

The 16 gas carrier ships for Bonny are estimated to cost about \$200 million each and the discussions on the shipping side are not completed, according to Nigerian sources.

If the project's signing ceremony takes place as scheduled next year, Nigeria will be well on the way to earning a steady income by the end of the decade. Under the terms of the sales contract initiated by the consumers, there need be no fluctuation in output as has been occurring recently with oil — this

As the new NNPC board of directors looks at the company's reorganization, it will have to take into account the diminishing role of oil as an export and its replacement by gas.

is the firmest attraction of the gas project.

Plans are also under discussion for domestic applications. A power station near Lagos is to be powered by gas, but there has not yet been a decision to install a nationwide gas supply grid.

The NNPC has other responsibilities, too. The Lagos Daily

Times recently noted that emphasis should be placed on promoting self-reliance in the technological aspects of oil production for the time when nearly 50 percent of production will be for domestic use.

The paper summed up the situation as follows: "At a time when the international oil market is again bedeviled by a politically inspired oil glut which is somehow having a telling effect on the national economy, the new NNPC board will require all the patriotism and expertise it can muster to ensure that this country derives the maximum benefit from the oil sector."

— RICHARD SYNGE

RICHARD SYNGE, who wrote most of the articles for this survey, is West Africa editor of the London-based Africa Economic Digest.

GILLIAN GUNN is assistant editor for Africa for Business International.

BAYO ROTIBI is on the staff of the Africa Economic Digest.

BRYAN PEARSON is assistant editor of Africa Health, published in London, and has contributed to numerous publications in related fields.

JIMOH GRADAMOSI is a veteran Nigerian journalist who specializes in public affairs. He is a former features editor of Freight News Weekly in London and editor of Trust magazine in Lagos.

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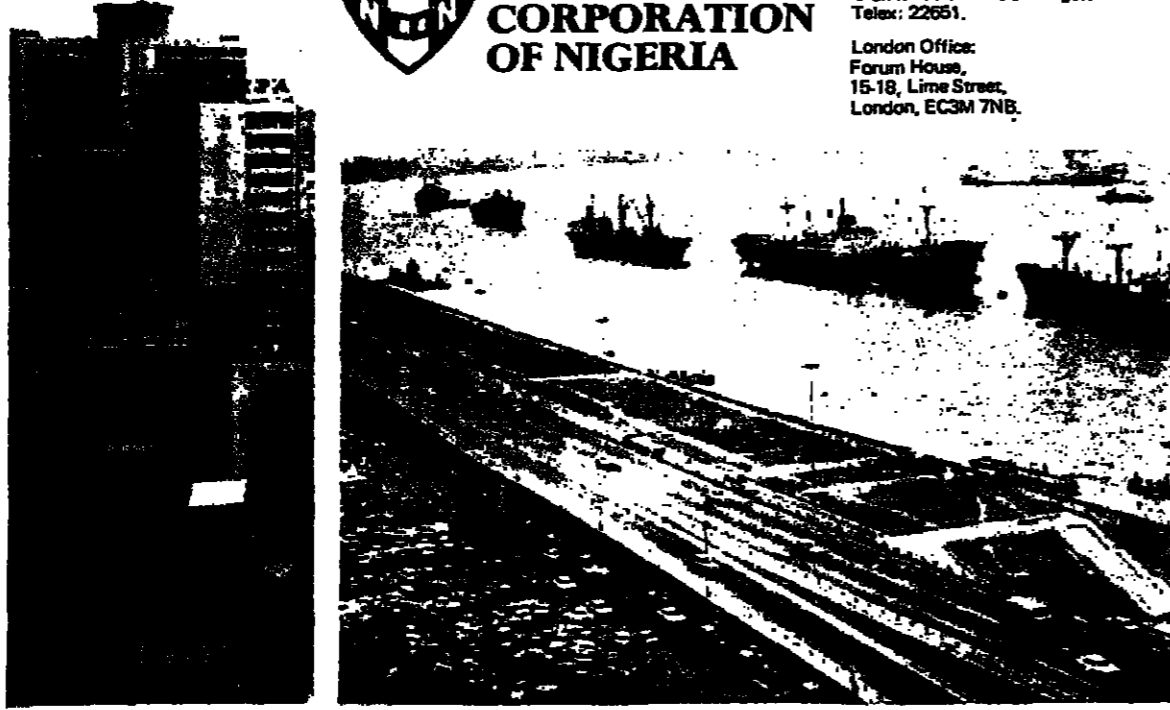
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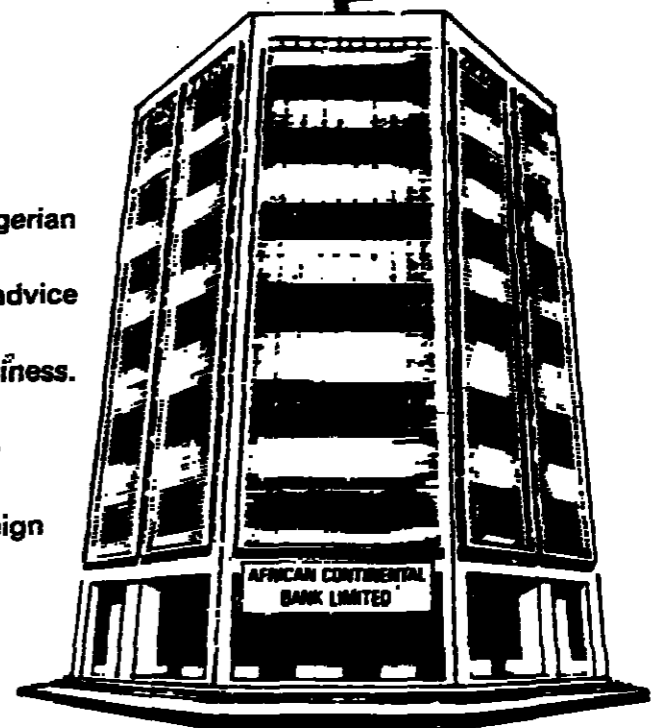


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**NIGERIA**

**Help of Foreigners  
Creates Frustration**

**WE ARE LIKE** the buyer of a house who every day has to call in the architect to turn on the lights." That is how Dr. Felix Ogunyemi, a director in the new Ministry of Science and Technology, describes Nigerians' frustration at their dependence on foreign companies and experts.

During the last decade, that frustration has led to a surge of economic nationalism as Nigerians, rich in oil but lacking in expertise, seek to reduce foreign control over all aspects of national life. Successive governments have focused on the issues of foreign investment, technology transfer and the employment of foreigners. But Nigeria needs the foreign services and so the government seeks to promote "Nigerianization" without scaring away foreigners.

The most visible manifestation of increased nationalism is the 1977 Nigerian Enterprises Promotion Decree which limits foreign investment to the aim of "promoting and protecting Nigerian participation in all areas of the economy."

The decree divides business activity into three "schedules." Depending on the sector's level of technology and capital intensity, investment must include 40 percent, 60 percent or 100 percent Nigerian equity. Generally, the more sophisticated the operation, the more foreign equity permitted.

**Companies' Reaction**  
Some companies, such as International Business Machines Corp., decided to withdraw from Nigeria after the decree was issued in July, 1977, rather than surrender absolute control over their subsidiaries. Most have returned — and IBM reported record Nigerian profits this year — but the decree did slow the pace of new investments. Nigeria is aware of the decree's chilling effect on investors, and recently adjusted the investment categories to attract business. Most significantly, the foreign equity

limit for agribusiness investments has been raised from 40 percent to 60 percent. "There simply are not enough Nigerians coming into the agriculture sector," a spokesman for the Ministry of Agriculture said. "If we are to feed ourselves, we must permit greater foreign participation."

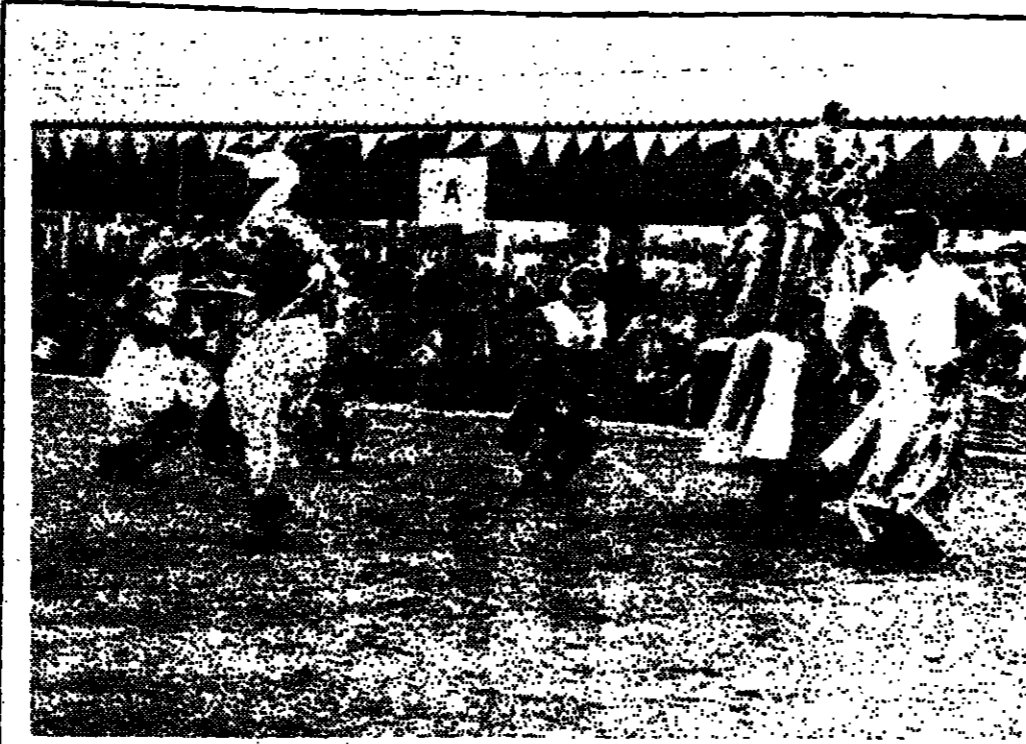
In addition to the 1977 decree's restrictions, foreigners' activities are limited in certain strategic sectors. The government owns and operates the railroads, telephone and electrical services, and holds a minimum 55-percent stake in companies manufacturing iron, steel, petrochemicals and fertilizers or distributing petroleum locally.

The nationalist sentiment is also evident in the new National Office of Industrial Property legislation. Established in 1979 but dormant until this year, the NOIP examines trademark, management and technical agreements between Nigerian and foreign firms to ensure that the technology transfer terms are "fair." Objectionable agreements are denied foreign exchange approval for payment.

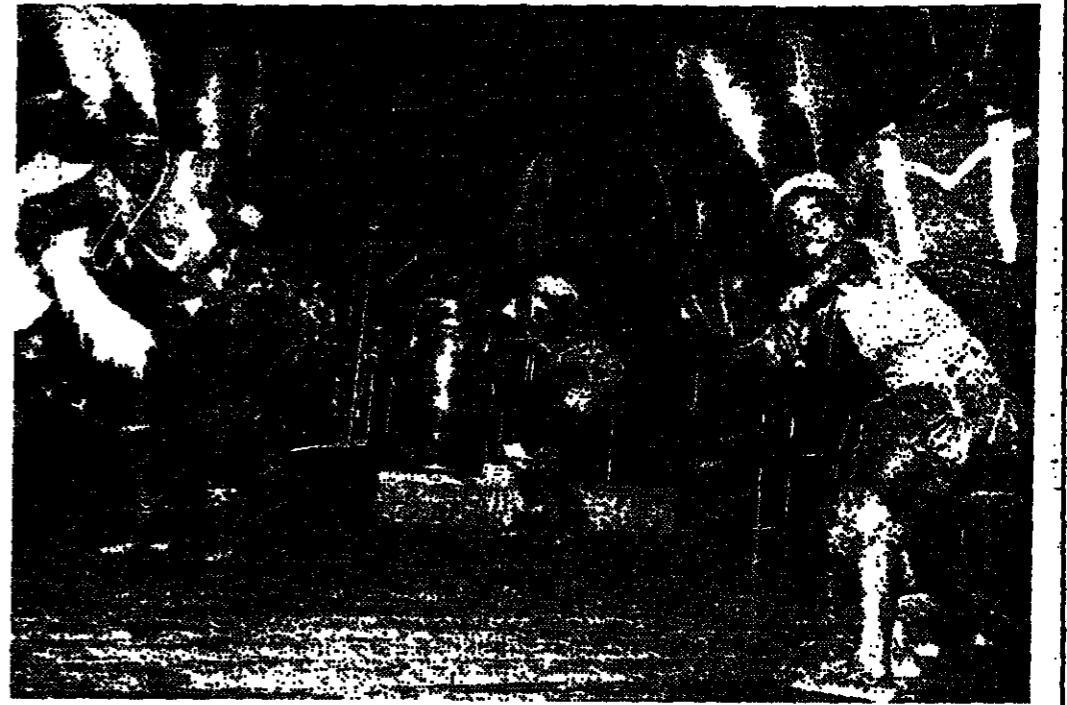
**'Profit Motive'**  
"Because of the profit motive, companies supplying technology don't want us to develop the absorptive capacity to redesign and implement that know-how," an NOIP spokesman said. "They want to sell us the same technology again and again. The NOIP will stop that."

Among the grounds for denying approval are: overpricing, the forced purchase of unwanted goods, limits on the use of the technology, obligations to buy related technologies only from the original supplier and restrictions on local development of foreign techniques. The law also forbids agreements that require contract disputes to be submitted to foreign jurisdiction.

Many foreign companies are disturbed by this legislation and say



**DANCING FEET** — The art of dancing flourishes as strongly as ever in Nigeria, with performances in modern theaters as well as in towns and villages.



that it could eventually reduce the transfer of technology to Nigeria. A British company said that the law "lowers the threshold at which inconvenience outweighs potential profits." Again, Nigeria has backed off slightly in reviewing the law with the intent of softening some requirements.

The NOIP gives Nigeria the strictest technology transfer law in Africa, and not surprisingly Lagos is the continent's leader in international debates on the subject. In the negotiations on the UNCTAD International Code of Conduct on the Transfer of Technology, Nigeria is "among the most radical of the Third World participants," a UN spokesman said. (UNCTAD is the United Nations Conference on Trade and Development.)

Concern over the economic im-

act of uncontrolled foreign activity is also behind the government's policies on foreign workers. The authorities believe that Nigerians will not acquire the skills to run their own affairs if top jobs are continually filled by foreigners.

The government makes it difficult for companies to employ expatriates and makes permission contingent upon approval of the firm's employment practices re-

garding Nigerians. When applying for an expatriate permit, the prospective employer must report its program for training Nigerians and its plans for replacing foreigners with nationals. In addition, all firms must contribute a percentage of their total salaries to a central fund. Upon government approval of the company's "Nigerianization" efforts, up to 60 percent of this is refundable.

The government also can simply order the employment of Nigerians. For example, last winter the authorities instructed firms to place Nigerians in executive board positions. They previously had been confined to non-executive board posts.

Despite the government's vigorous efforts, the employment of foreigners will undoubtedly increase during the coming years. The five-

year development plan reports a current shortfall of more than 55,000 professionals and anticipates that this will increase to more than 120,000 by 1985. Nigeria will be able to fill only a fraction of these vacancies with its citizens. The development plan thus concedes: "It will be necessary to continue to facilitate the inflow of qualified expatriate personnel."

— GILLIAN GUNN

**Economic Benefits Sought  
From Investment Controls**

**WHEN** the civilian government came to power, it rapidly saw that industrial policy had to be more cohesive.

The National Party of Nigeria, in its election manifesto, had already written about the need for more order in industry. Once in power, the government put out a document entitled "Nigeria's Industrial Policy and Strategy: Guidelines to Investors." Although it is only a statement of intent, the authorities take it seriously, and it is already apparent that investors benefit from the substantial incentives offered.

Previously, industrial policy had concentrated on import substitution. The new document concludes that "the benefits of this strategy to the national economy have been minimal, principally because of the invariably low local level of value-added."

The 10-percent contribution of the manufacturing sector to gross domestic product is considered low. Output has been characterized by a high level of low-technology light industries. The engineering sector should be much larger, Minister of Industries Alhaji Idamu Choma said. "There is an almost total absence of intermediate and capital goods" in Nigerian industry.

**Policy Aims**  
The authorities want to reduce dependence on manufactured imports, exploit local resources and ensure that technology is transferred to Nigeria. Additionally, they want industry to create jobs. Investors who try to increase local value added (which roughly is measured as the proportion of local input) will benefit from certain incentives. Local raw materials are to be used wherever possible, especially in agro-based industries. Importers of semi-finished products will be encouraged to start the local manufacturing of such goods.

Manpower development is a crucial part of industrial policy, and investors must produce plans for staff training. For foreign companies, the approval of foreign staff will depend upon the drawing up of such plans.

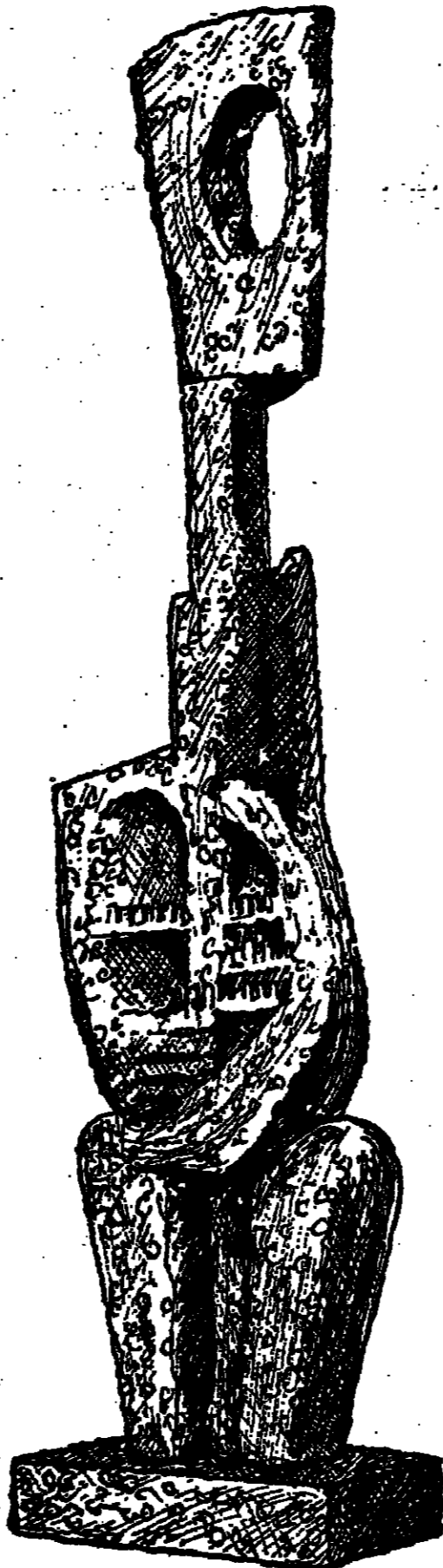
The government acknowledges the role that the private sector has to play in development. It has pledged that, if investors offer an industry of real benefit to Nigeria, the complex process of approval will be streamlined to facilitate the rapid establishment of that industry. The government has formed an industrial development and coordination committee that brings together the available ministerial knowledge on Nigerian industry to judge the value of any single investor and what concessions he is to be offered.

The most important concession for a company is "pioneer status." A firm whose proposed investment is on the list of pioneer industries will get a tax break of three to five years. If a company is given "approved user status," it can import a number of raw materials at highly concessional rates. Income tax provides for the accelerated depreciation of capital investment, and when imported raw materials are used for products that will eventually be exported, the manufacturer is entitled to the reimbursement of the import duty. Import controls have often been used in the past but mainly to fight inflation. There are restrictions on certain imports if they are seen as unfair competition to Nigerian goods.

To encourage the growth of local value added in the manufacturing sector, the government offers companies certain tax concessions proportionate to the level of value added. Such allowances last three years and may be extended.

Although Nigeria has no formal regional development plan, companies that invest in disadvantaged areas will also receive favorable treatment from the government.

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Deposits etc.	2,407,218	1,576,225	Loans & Discounts	1,268,844
Contra A/cs.	918,348	772,169	Contra A/cs.	918,348
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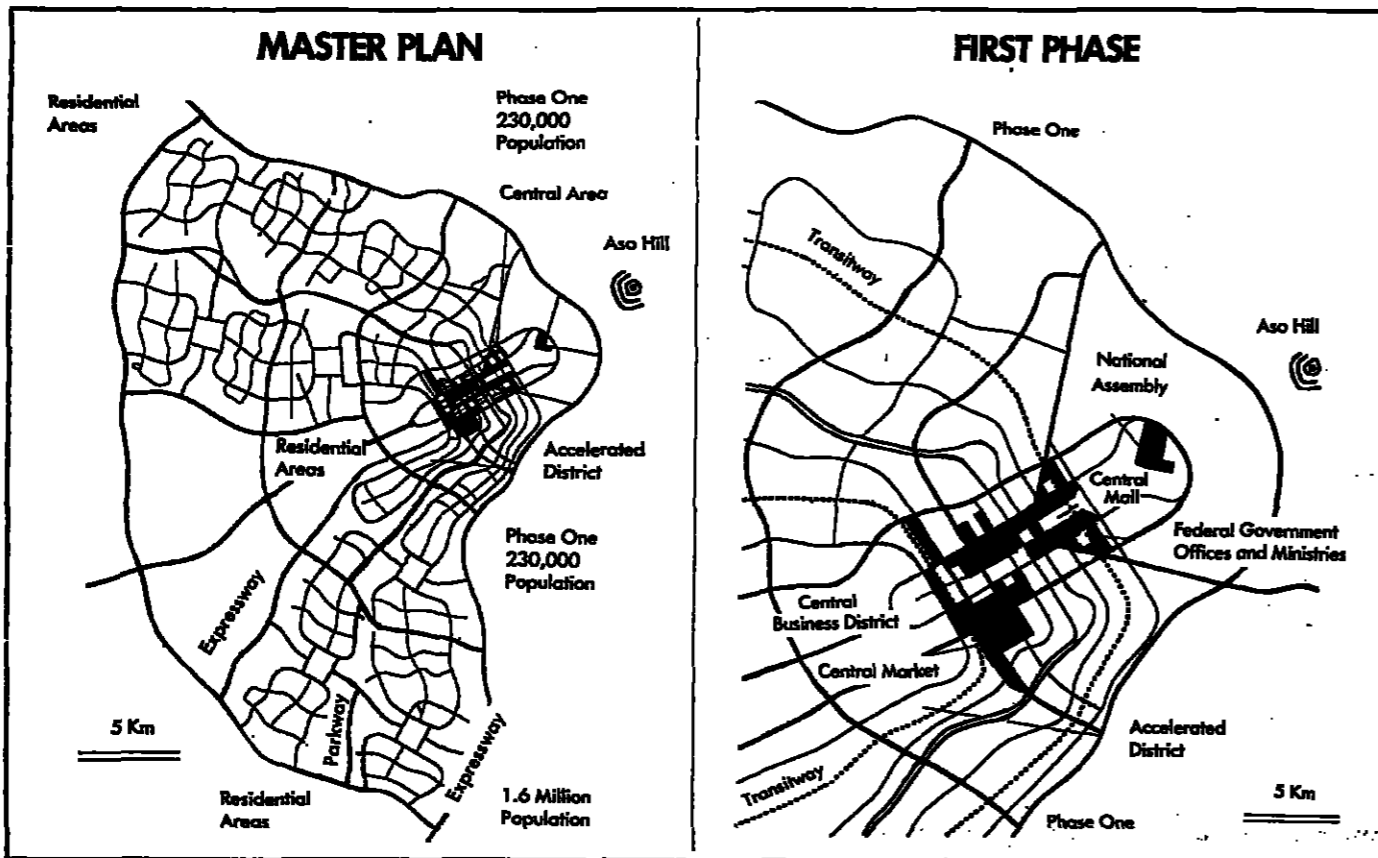
# NIGERIA



Gwari villagers are being encouraged to move from the Federal Capital Territory.



There is a flourishing business in building materials in Abuja.



## New Federal Capital Rising on Ancient Site

(Continued from Page 75)  
 companies. And most estimates suggest that another 1 billion naira has already been committed to the work under way, mainly on the road systems being built by West German contractors Julius Berger and Strabag and by French contractor Dumez.

**Coordination Problems**  
 The problems of coordination are huge for the small FCDA staff, which, 50 kilometers away in Suleja, cannot always see what is happening on the ground. The staff is overstretched in the coordination of plans and quality control. Contractors and consultants have occasionally found themselves duplicating or conflicting with one another company's work.

Another concern among contractors on the site is that the FCDA may have to slow its rate of spending because of the federal government's looming revenue dif-

ficulties. With major new contracts coming up, requiring huge "mobilization fees" before work can start, the real importance of Abuja to the federal government will be clearly tested. Abuja has been said to be "Priority No. 1" under the 1981-1985 development plan, but there are other priorities.

The full costs of supplying Abuja with all it needs have not been publicly estimated, but costs for roads, power and supplies, for example, are already considerable. A population of 1.6 million has been estimated for the year 2000. This is a realistic figure, but how much of the accommodation for this population can be provided by the building plans envisaged at present is open to question.

Local contractors have been given encouragement to persevere, although much of their work is recognized as not being up to the standards envisaged in the plans. What is surprising is that no provi-

sion has been made for the application of traditional materials and building techniques, which could be aesthetically pleasing and well-adapted to the climate.

**Powerful Arguments**  
 Despite the difficulties, Abuja has got under way, and the arguments for pressing ahead are powerful ones. They include the continuing congestion of Lagos and the fact that the search for neutral ground between the three great ethnic groups — Hausa, Yoruba and Ibo — has produced a spectacular site with the potential for good communications with all three areas, particularly by road and air.

The costs are heavy, however, and a semi-functioning new capital is not likely to produce greater efficiency in itself. In most activities, Abuja will not be able to replace Lagos for a good many years.

On the local level, how much the Gwari people will benefit from the upheaval on their traditional land is not certain. Their old social order is likely to be eroded quickly. The government's provision of new villages, where the ecology is different, and where they have to find new employment, could cause painful adjustments.

The old village of Wuse is now surrounded by the activities of earth movers, bulldozers and cranes and has momentarily flourished as a market providing food for the huge numbers of workers. But its days are numbered. New Wuse has been constructed 70 kilometers away and the old Wuse displays a "last warning" sign that all structures are to be demolished, shortly.

The new Abuja, however modern in conception, is going to need markets, the vital institution in Nigeria. It will be interesting to see if they appear where the planners have decreed, or if they emerge at unexpected corners.

—RICHARD SYNGE

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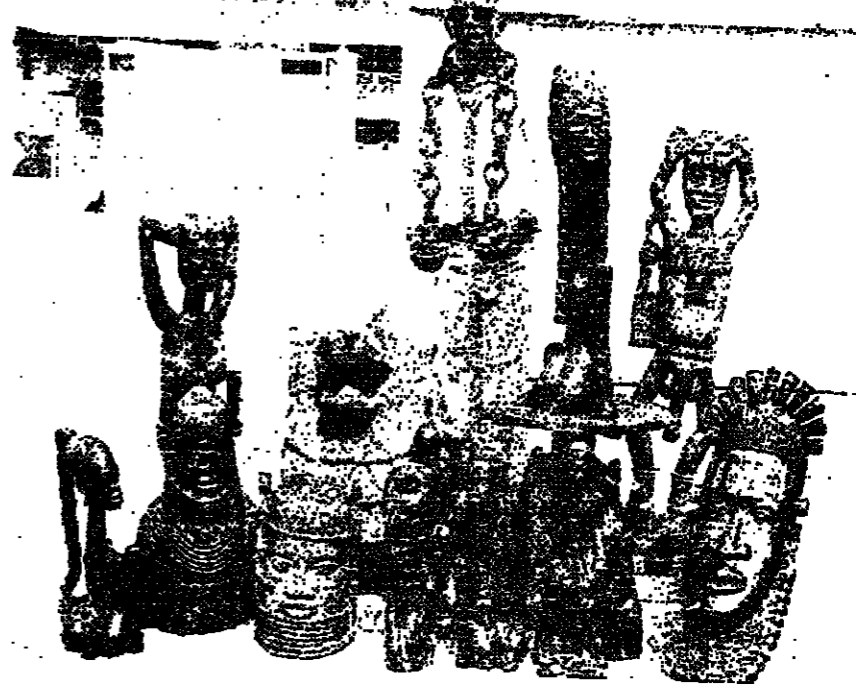
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# NIGERIA



PRODUCTS OF THE COUNTRY: Locally designed dresses show textiles turned out in Nigeria; a vendor offers Nigerian-made dishes, and an artisan sells his carvings.

## 'Exporting' of Country's Doctors Proves to Be Costly — Health System Ends Up Paying the Bill

By Bryan Pearson

DESPITE cosmetic changes and costly new instrumentation, Nigeria's health service is having major problems, and public confidence and staff relations are deteriorating rapidly.

The main factor is the infrastructural weaknesses. New teaching hospitals are built at costs

Thirteen teaching hospitals consume more than 40 percent of the national health budget.

things, are affected by politics, and it is unfortunate that Nigerians are so "building conscious." Capital expenditures increase, relatively unaffected by cuts, while budgets — not quite so politically visible — suffer setback after setback.

Outside Splendor

The health service is undoubtedly more advanced than most others in Africa, but the splendor one views from without is not always reflected within.

Some of the reasons for these problems are clear: There are approximately 85 million people to care for. While Nigeria wants to be independent, its budget is not limitless. Independence means training Nigerian doctors, and that means teaching hospitals, which are fantastically expensive and, in humanitarian terms, quite wasteful.

At the other end of the spectrum, Nigeria is trying to develop a primary health care (PHC) program, geared to operating with paramedical health workers. This means that a further area of health training has had to receive investment capital.

The health planners argue strongly for proceeding on this path. To concentrate purely on PHC, they say, with clinical referrals to district and state hospitals,

would leave the country dependent for years on foreign doctors. Thus, the argument goes, the health service would be accused of quackery by many people — teaching hospitals therefore are vital.

The public is unhappy about the failure of the nation's investment to make any great changes in the disease pattern. On the other hand, doctors believe that they are underpaid, overworked and frustrated by shortages of essential tools of their trade. They went on strike

for a month earlier this year. When compared with colleagues in other disciplines at the university, for example, they are probably right.

But the days when the title "doctor" was respected by many seem to be ending. Some observers believe that, to a degree, the fault lies with the doctors' attitude, but that it also lies with the planners who, seeking to satisfy both political and health needs, have made health care boom only in the private sector.

exceeding \$100 million, while existing hospitals experience swinging budgetary cuts to finance the expansion. Even in some of the foremost medical establishments, saline drips and basic drugs are not available in the pharmacy.

Often, with the collusion of doctors and nurses, relatives of patients are sent to local patent medicine stores to purchase prescribed medicines at vastly inflated costs. The majority of drugs find their way into the private sector, and those dealing in them are making a fortune.

Health facilities, like many other

There are 13 teaching hospitals — with four more planned — consuming more than 40 percent of national health spending. The result is that Nigeria graduates hundreds of doctors each year. But although their training has been at the expense of the rest of the health service, a large percentage of these highly qualified men and women move either into the private sector or leave for Western Europe and the United States to practice because they find it too frustrating to work within their own health structure. Nigeria has become a net exporter of doctors to the developed nations.

### Labor Issues Intensified By Oil-Revenue Decline

*Special to the IHT*

THE POWER of the nation's labor federation, the Nigerian Labor Congress, is being tested by the general financial decline. The Labor Congress is anxious to prove its credibility to workers, but the government is expected to stand firmer on wage issues because of declining revenues.

The House of Representatives has passed a bill raising the minimum monthly wage to 125 naira from 100 naira. The bill will not come into force until President Alhaji Shehu Shagari has signed it, however, and it is now thought likely that the government might want to use restraint.

The Labor Congress suspended a two-day general strike in May in return for government pledges of an increase in the minimum wage. This followed a lengthy meeting between NLC leaders and the government, which also agreed to a 57-percent rise in monthly minimum pensions from 33 to 55 naira and in general fringe benefits. The communique issued after the meeting did not specify a new minimum wage but noted the NLC's rejection of an offer of 120 naira made earlier by a House committee.

Nigeria's financial condition has deteriorated since January because of the worldwide surplus of crude oil. According to one estimate, the 5-percent wage increase could raise the federal government's expenditures by as much as \$3 billion.

ion Disputes Decree introduced by the military government, as well as rent and transport allowances and automobile loans.

President Shagari's fiscal 1980 budget in March made some concessions to the NLC, agreeing to a 100-naira minimum monthly wage as well as to rent and transport allowances. A committee was set up to review the labor laws. The NLC's third threat followed its charges that nothing had come of the committee's work.

Lukewarm Support

When the NLC finally managed to call its members out on a general stoppage in May, its voice had lost its stidency and support was lukewarm. At the same time, politicians revived the allegations that its action was unpatriotic.

The strike was barely successful, mainly because of poor organization. But international flights were grounded by striking air traffic controllers, public transportation was halted, the ports were paralyzed and shops, particularly in Lagos, were closed.

Worst of all, the petroleum industry was brought to a standstill. But many of the workers who defied the strike call saw it only as the NLC's desire to use freedoms that had been curtailed under 13 years of military governments.

The government is seeking to end the apparent confusion in the labor scene. It is pushing legislation that, it argues, complies with the International Labor Organization code forbidding the enforced membership of an individual union in a central labor movement. This would in effect end the NLC's monopoly.

NLC leaders accused the government of seeking to break up the labor movement for political benefit. Other critics of the proposed legislation say that the government is seeking to divide the various unions because of their growing militancy.

A breakaway faction of the NLC has been formed, called the Congress of Democratic Trade Unions, but its claim to backing from 30 of the NLC's 42 member unions seems exaggerated. Its creation nonetheless could indicate a weakening of resolve among labor unions to keep a united front.

At the same time, the NLC's claim that its affiliated unions have a stranglehold on the nation's economy because of the key sectors that they control may be exaggerated. Another general strike could indicate where the real labor power base lies.

**Union Position**

Meanwhile, having seen its original demand of a 300-naira minimum wage more than halved, the NLC does not want to accept further stalling by the government, even in the often-mentioned interest of industrial peace in the new civilian era. Nevertheless, it is doubtful that it will strike, despite some threatening noises. Aside from the May 11-12 general strike, no previous threatened strikes had come off.

The NLC's first real threat of a general stoppage came in May, 1979, shortly before the end of the military regime. Politicians immediately accused the federation of wanting a return to civilian rule, while the military said the Congress was motivated by external sources plotting to destabilize the country.

The NLC gave a second ultimatum in January, 1980, to President Shagari's 4-month-old administration. It demanded the repeal of the highly restrictive 1975 Trade Un-

# NNPC IS PIONEERING THE DIVERSE TECHNOLOGIES NIGERIA NEEDS FOR THE YEARS AHEAD

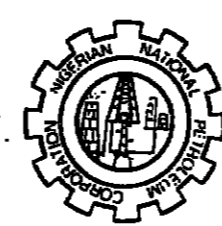
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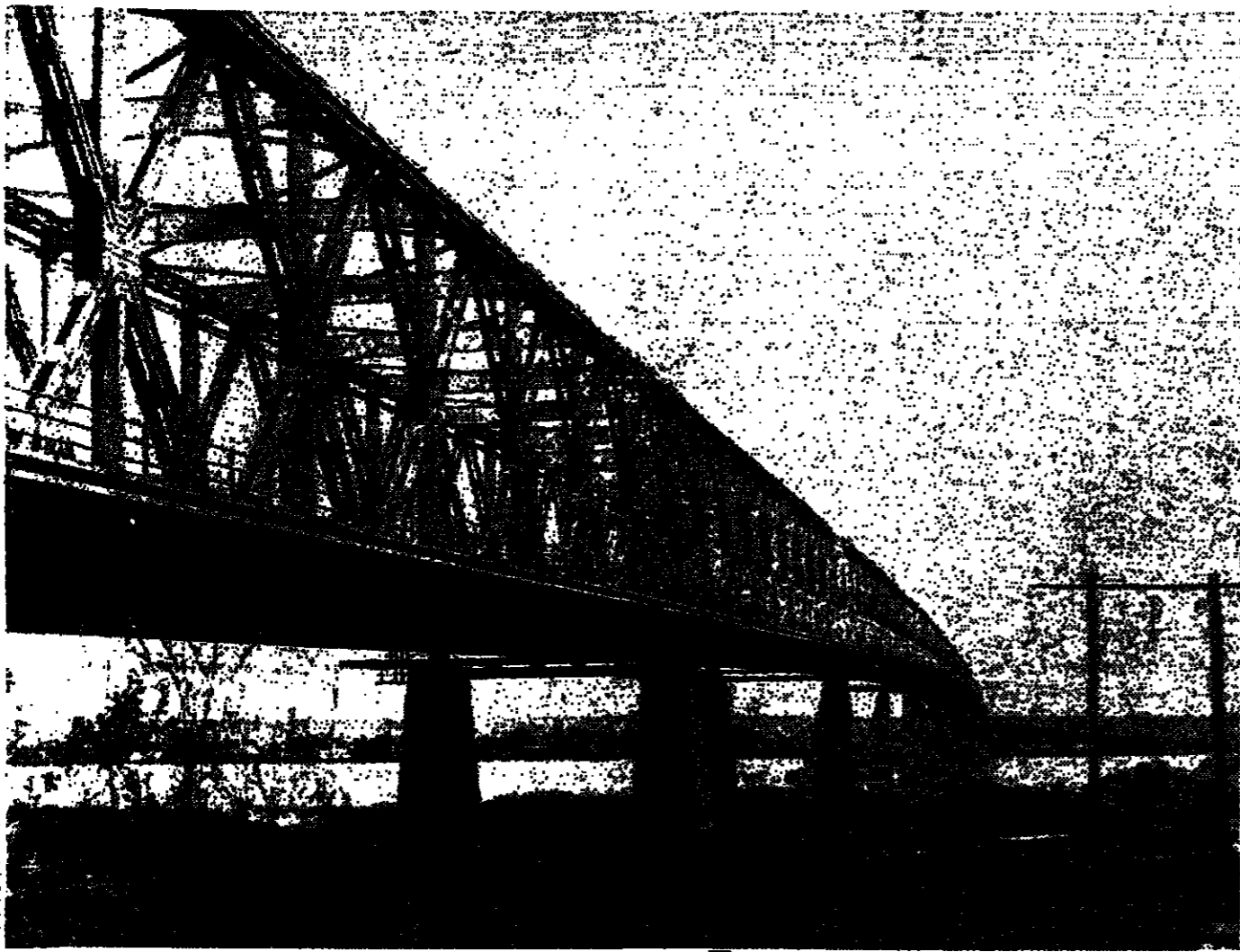


# NNPC

## Pillar of Nigerian Economy



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**Industrial Output Lags, Steel May Be Key**

INDUSTRIAL growth has never been quite up to expectation in Nigeria, and the present outlook is particularly bleak for manufacturing companies. Last year, the output did manage to rise by 10 percent, but this year industrialists are gloomy. Nevertheless, the nation has comprehensive industrial activity in textiles, building materials, agricultural processing, vehicles assembly, oil refining, timber furniture, paper, pharmaceuticals and consumer goods. Steel mills are planned around the country.

While trading companies are making big profits, the manufacturers are expecting losses and some companies in the textile industry have closed. The crisis is related to the boom in imports and to smuggled goods providing major competition to domestic products.

Industrialists have collectively called on the government to stamp out the smuggling and it has promised to do so, but few expect it to be totally successful. But the state has a stake in many industries and is likely to want to protect them from unfair competition.

What makes locally produced goods more expensive than the smuggled items is less the result of high labor costs than of dislocations in supplies of raw materials or spare parts and consequent expensive delays.

Industry Ministry officials know that there is a long way to go before the country can have efficient and profitable industrial output. They also see the need to protect local goods. The government as a whole, however, is poorly briefed on the industrial situation and feels that it cannot evolve solutions until more is known about the problems.

The manufacturing sector accounts for only 6 percent of gross domestic product. Officials would like to see more interdependence between factories for supplies. "People think only of external sources," an official said. "Foreign goods are too accessible. Not many industries look at each other's needs to see how best they can supply them." He sees the best hope for integration in agriculture-based industry.

There are some steady success stories in industry, particularly in the manufacturing of beer and soft drinks, leather goods, cement, paper and pulp, cosmetics and soaps. Automobile assembly has become intensive, although the assemblers face operating losses and the demand for vehicles is enormous, given their short life on Nigerian roads.

A popular formula for federal and state industrial projects has been the construction of well-serviced estates, and some "free zones" are in preparation.

There are few places not affected by organizational problems, with inadequate water and power supplies and heavy dependence on foreign workers.

With the burgeoning steel industry, which will facilitate general industrial progress, the requirement for foreign workers is unusually high during construction. But training programs allow for largely Nigerian management soon after production starts at the main blast furnace and rolling mill complex at Ajaokuta.

The first phase of the Ajaokuta project will cost 3.5 billion naira. Situated by the Niger River in Kwara state, Ajaokuta has had to be built from scratch. Much of the steel town is in place, a river port has been completed and foundations have been laid for many of the buildings. Water and power supplies are being made available and telecommunications are being installed. The first phase also involves building and staffing a metallurgical training institute.

Like Abuja, Ajaokuta has become an international venture, with a wide variety of foreign firms participating in its construction. The Soviet firm Hissproexport is responsible for operations and machinery, but the first stage of civil engineering is being handled by French and West German firms; a Dutch group built the river port. An Indian firm of steel consultants has an important advisory and coordinating role, with experience from Soviet steel installations in India.

Providing housing for up to 7,000 Soviet engineers has been long delayed, and for a while the Nigerians intended to proceed with the project as planned. But after a recent visit to the Soviet Union, Steel Development Minister Mamman Ali Makole said that many such difficulties had been resolved and that the Russians would have no problem getting into Nigeria.

The Ajaokuta Steel Co.'s general manager and chief executive, F.R.C. Ezenemari, said that the first two rolling mills, using imported steel billets, will be functioning in 1983. The full project may be approaching start-up in 1985 but there are still problems.

There have been delays in starting iron ore mining at Itakpe, near Ajaokuta, because of delays in federal funding for the ore mining company. Another problem is posed by the non-availability of coking coal in Nigeria. A team of Soviet geologists and experts is to undertake studies in the hope of getting most of Ajaokuta's raw material needs from the country.

A railway from the opposite bank of the Niger, to link up with the existing Makurdi-Port Harcourt route, has been proposed, but it is still not confirmed that this will be the access route for Ajaokuta. The planners still have to decide how to bring about 600,000 metric tons of equipment from Eastern Europe (mainly Czechoslovakia and East Germany) to the site once it lands on Nigerian shores.

— RICHARD SYNGE

**Airline Services Have Shown Sharp Growth**

DOMESTIC AIR travel has grown in leaps and bounds during the last three years. Growing affluence in the cities, the development of state capitals and the spread of professional and trading contacts around the country have provided the impetus for the expansion of Nigeria Airways' services.

Between 1978 and 1980, the airline's handling of passengers doubled from 3,500 a day to more than 7,000; by the first quarter of 1981, the airline was handling 9,000 a day at peak travel times. By the end of 1981, it expects to have carried 2.7 million passengers in the year. Most of these will have traveled within Nigeria.

There are now airports in nearly all the 19 states, and domestic air fares are low in comparison with those of other countries, although naturally much higher than local buses and trains.

It is largely people on business who do most of their traveling by air, but more families are also flying on weekend trips. With the delays and dangers on Nigeria's roads, where the accident rate is high, it is not surprising that more people are choosing to fly.

**Changing Market**

The airports and airline authorities have had little time to adapt to the changing market. Nigeria Airways has to operate out of ramshackle offices by the old Ikeja airport. Despite its problems, it has just managed to keep pace with demand. The Nigerian Airports Authority has recently had large sums at its disposal and has commissioned a series of "international airports" around the country, but the pace of construction has been slower than hoped. Nevertheless, Port Harcourt now has a properly functioning international airport, while Kaduna and Abuja will open theirs in a matter of months.

Nigeria Airways has an insatiable demand for new aircraft, and leases six of its total fleet of about 25 (several of which are out of service at any one time). It has at least eight new planes on order, including four Airbus A-310s, but delivery of most is not expected until 1983. The need for leasing has so far been filled exclusively by Air Tara, based in Shannon, Ireland, which is providing five Boeing-737s for domestic use and one DC-10 for international flights.

**KLM Team**

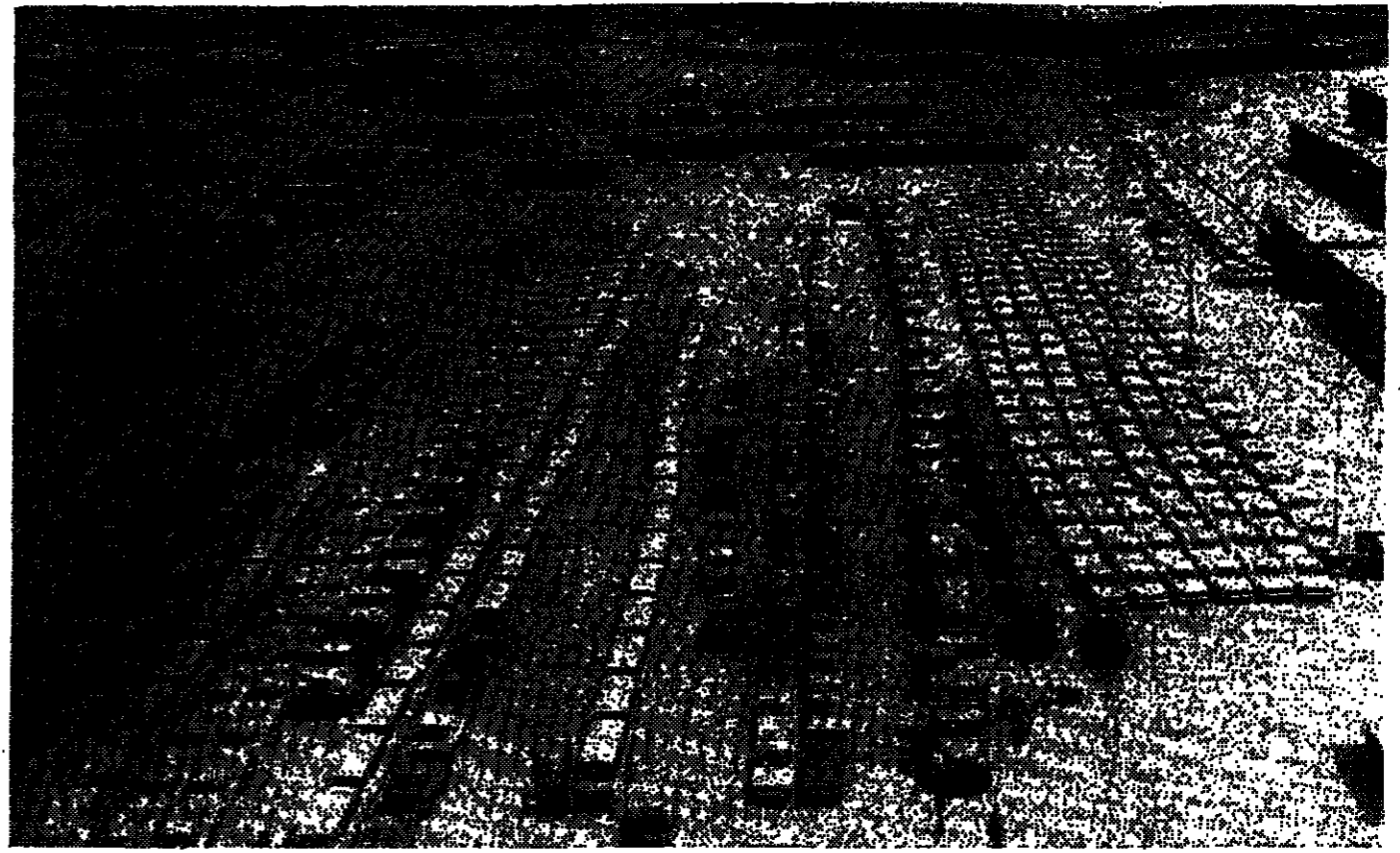
During the last two years, the airline has been managed mainly by a top-level KLM team from the Netherlands, which is expected to leave at the end of the year. The

airline still seems to be considering whether to go it alone and is taking into account the continuing expansion and the need for aircraft maintenance. Much of this work will probably continue to be done by arrangement with Lufthansa and Aer Lingus.

Some senior government members feel that the airline management has not performed well during the last few years, and there are persistent rumors of the government favoring the development of private airlines in competition.

**Employees Protest**

The local air transport employees association recently protested competition to Nigeria Airways being proposed by three charter airlines — Inter Continental Airlines, Central Airlines and Kabo Tours. It claimed that Kabo Tours (Continued on Page 175)



Trucks, vans and military equipment lined up at Tin Can Island Port at Lagos.



There are several navigable rivers in Nigeria, including the Niger, the Benue and the Cross. Extensive lagoons of the southern coastal area also play an important role in transportation and economic activity.

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## NIGERIA

## Substantial Expansion Is Noted in Area of Banking and Finance

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**B**ANKING and finance in Nigeria have grown impressively with the increase in revenues during the last decade.

With a major injection of revenue expected during the next five years as the nation's fourth development plan (for 1981 to 1985) is carried out, the prospects for bankers are better than ever. But their conduct will be closely guided. The authorities, and notably the central bank, want the banking system to respond to the needs of development.

There are 20 commercial banks in Nigeria, and several more have applications pending government approval. In 1970, there were 14 banks. Apart from the growth, there have been significant changes in banking. For example, the laws state now that no bank can be wholly foreign-owned, but those that were present about 20 years ago will dominate the banking system.

The number of branches has grown to more than 800 and under the rural banking program, this can be expected to increase rapidly in the next two years. But in a country with a population of about 85 million, 800 commercial bank branches remains a small number.

In the past, most banks awaited the arrival of an ample supply of customers rather than seeking them out in rural areas.

**Banking Problems**

It is in the commercial banking sector that some of the immediate handicaps of banking in Nigeria are apparent: Service can be slow, checkbooks and credit cards are not generally trusted. Furthermore, although the commercial banks, by paying well, draw large proportions of Nigerians with experience in banking, the shortage of qualified manpower is felt throughout much of the sector.

There are six merchant banks operating in Nigeria, and as major projects are planned they expect their role in the economy to expand.

The government has taken measures to prevent what had begun to appear as the duplication of roles between the merchant and other banks. The merchant banks, for example, were often criticized for encroaching on areas that are normally those of the other banks.

One of the most spectacular advances in terms of numbers has involved insurance companies, which in the last decade have increased from 25 to 67.

**There are 20 commercial banks in Nigeria, compared with 14 in 1970, and several more have applications pending. The number of branches has grown to more than 800.**

There are now four development banks, which, after a hesitant start, have been promised considerably higher funding under the fourth development plan.

The money market operates at a relatively modest level, leading most financiers involved with Nigeria to expect that this will be an area of great expansion in the next few years. The Lagos stock exchange is dominated by government bonds, and it appears sluggish compared with Western stock

exchanges. There were 7,138 transactions as of the end of 1980 valued at 389 million naira.

Banking is seen by the authorities as a key to the rapid development and transformation of the economy.

Through the central bank, commercial banking must respect guidelines — on interest rates and credit ceilings for example — intended to benefit sectors of the economy that otherwise would be neglected.

Commercial and merchant banks have to commit at least 70 percent of loans and advances to so-called preferred sectors at preferential interest rates. During the last 10 years — the guidelines were introduced in 1969 — commitments to the preferred sectors have more than doubled. Stiff penalties are imposed on those who exceed credit ceilings in the less-preferred sectors or who fall short in the preferred sectors. They have to deposit the equivalent of the excess or shortfall at no interest with the central bank, which redirects it to the Nigerian Agricultural and Co-operative Bank or to the Federal Mortgage Bank. Banks are also obliged to commit 70 percent of their credit to indigenous borrowers, 16 percent of which must

go to Nigerian-owned small-scale enterprises.

The rural banking program was set up for geographical diversification and to improve loans to rural areas. Among other things, the program required banks to open 260 branches throughout the country by the end of 1983. Depending on the size of the bank, the central bank allocates the number of branches it must open.

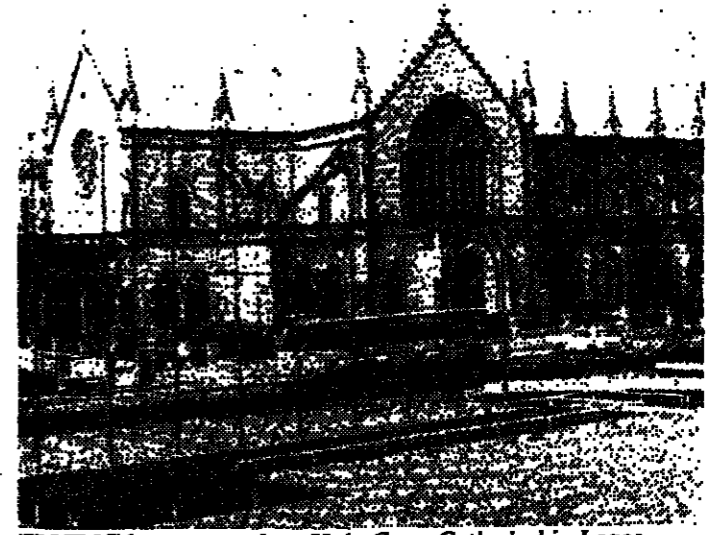
Although bankers do not object to the principle, they have criticized the rural program, citing, for example, the cost of running a bank in some small towns where depositors might be of relatively low income and the exacerbation of the manpower shortage.

The central bank also runs the Agriculture Credit Guarantee Scheme, established in 1977, which essentially covers commercial banks for up to 75 percent of losses on loans and advances to the agricultural sector. As an incentive to the commercial banks it is considered successful, but the govern-

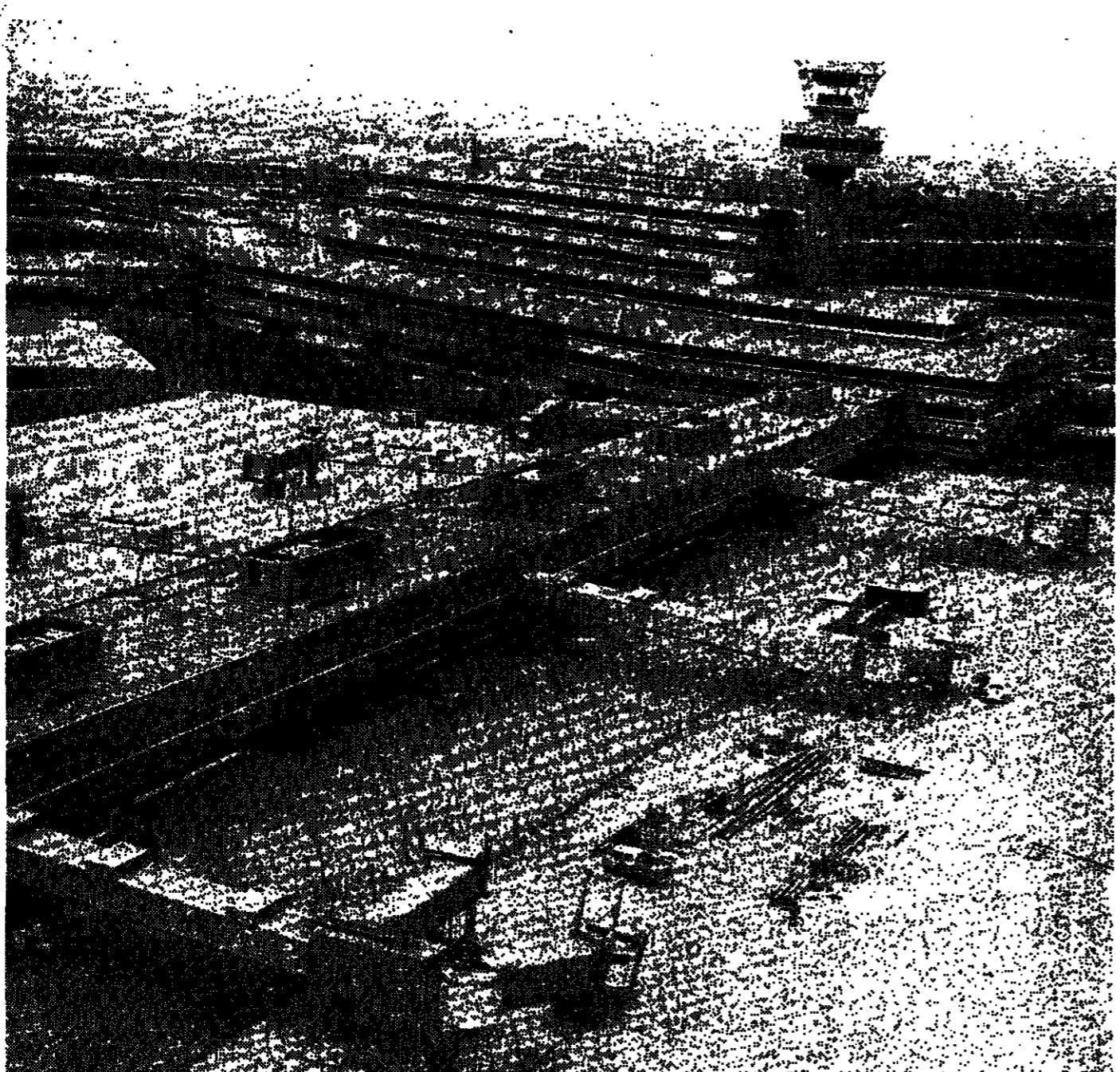
ment hopes that some day credit to agriculture will not require such a government cushion.

The role of the central bank in commercial banking is clearly strong and vital. What is a little less clear is its position in relation to the other financial authorities, notably the Ministry of Finance. Its role there may be best described as consultative. A number of decrees by the former military governments gradually eroded the power of the central bank. Some feel that the erosion has impeded its capacity to act on crucial issues, and the government is gradually obtaining closer cooperation among the leading financial authorities.

There will be further changes in the direction and structure of the financial system in the next decade because of changes in the economy and also because to a certain extent the authorities are forced to experiment in order to arrive at a financial system that fits the nation's needs.



FLYING buttresses adorn Holy Cross Cathedral in Lagos.



Several airports are being built around the country. Above is Murtala Muhammed Airport of Lagos, shortly before it opened.

## Airline Services Have Shown Sharp Growth

(Continued from Page 16S)  
 in particular, was openly operating regularly scheduled flights.

Before these private operations came into being, private air travel was only permitted to the major companies who needed to have worker-transport services, particularly the oil industry, which has long been served by the privately owned Pan African Airlines and Bristow Helicopters.

One state government airline, Delta Airlines of Rivers State, re-

cently ran afoul of federal legislation and collapsed, with its planes now stripped of parts by thieves. This is unlikely to happen to the private operators, who are still hopeful that there will be room for business when Nigeria Airways has to face the next phase of its expansion. What will happen when more states demand international flights into their capitals is difficult to predict.

While Nigeria Airways has been able to keep the majority of flights

running on time, it has not been easy to overcome the problems of overbooking, communications breakdowns, the irregular functioning of airport radar and delays caused by bad weather.

One of the biggest advances in air travel was the opening in 1979 of Murtala Mohammed Airport for Lagos. It significantly eased difficulties for visitors to Nigeria and made the domestic flights more manageable. Two years later, however, it is not working as well

as had been hoped — for example, taxis charge exorbitant fares.

In the next phase of expansion, attention will have to be paid to the domestic services from Lagos, which would be enhanced by a new airport building and better road links to the international airport and the rest of the city. Although Abuja may become a central point for flying operations, the bulk of the traffic will still go through Lagos.

— RICHARD SYNGE

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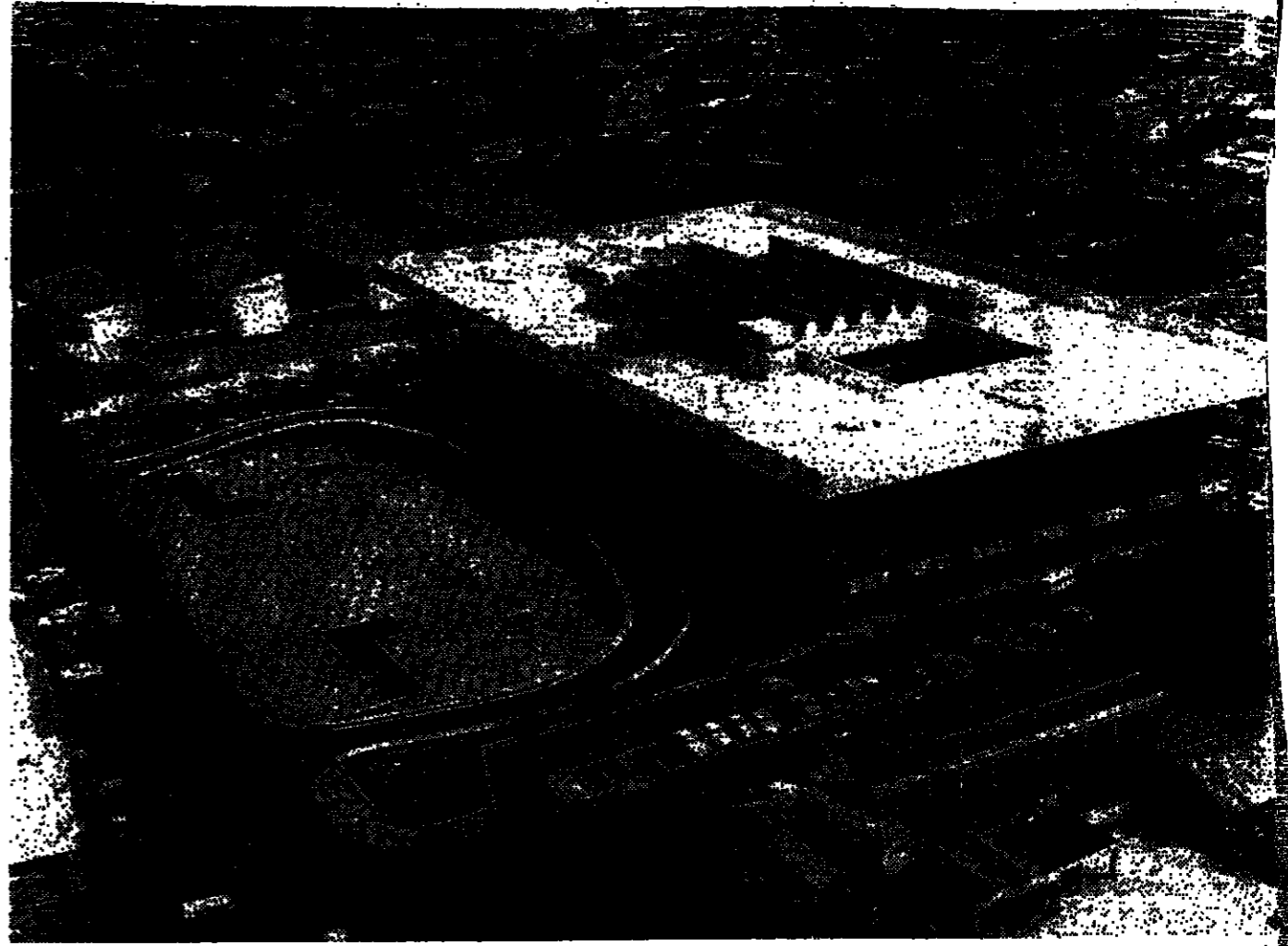
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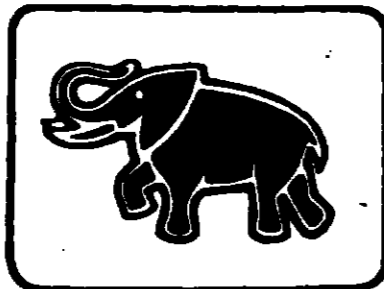
**NIGERIA**



The National Theater of Lagos was built at a cost of \$40 million.



Functions of state government buildings such as this one will eventually be shifted to Abuja.



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**Migration Into Cities Poses Many Problems**

**COMMENTARY**

THE DRIFT from rural to urban areas in Nigeria has reached the point of crisis. While detracting from agricultural production, the parasitic — rather than generative — nature of employment found in the cities has had a deleterious effect on the economy, and an increasingly troublesome effect on the balance within each community.

The rocketing crime rate and deteriorating health status in cities such as Lagos and Ibadan are symptoms of an epidemic that if caught early enough could have been treated, but which is now practically immune to any form of medication, administrative or legislative.

Most developing countries are experiencing similar socio-economic change, though not quite to the same degree. In broad terms, Nigeria has 25 percent of the black tropical African population. It also has 38 percent of the city dwellers. In short, it is a leader in urbanization, which with the impending freedom of movement in ECOWAS (Economic Community of West African States), may continue unabated.

**Milk and Honey**  
Nigeria's wealth makes it the proverbial land of milk and honey to the inhabitants of many neighboring states, whose economies do not provide the opportunities found in many of Nigeria's cities. Agege, for example, on the outskirts of Lagos, is a Ghanaian stronghold, while the slum areas of Obalende on the otherwise exclusive Ikoyi Island have a strong Beninese presence.

But it is from the rural areas of Nigeria that the majority of the new urban dwellers have come and on whose shoulders the new, rather tense society is being built. Their links with hometown or village of origin remain strong — too strong, perhaps, for the economy to sustain the movement.

The new urban dwellers are mainly young adults, who regularly remit a percentage of their earnings to the family, thus depriving the urban areas of much-needed investment, while at the same time reducing the agricultural production in the rural areas.

Many village households depend on remittances for maintenance. The remittance system therefore has made it possible for large numbers of people living in the rural areas to benefit from the development and growth of urban economies, enjoying a higher standard of living, at the expense of agriculture.

**Lacks Productivity**  
Equally serious is the nature of much of the urban employment: Often there is little productive about it. Taking the form of "secondary trading," it is parasitic, and

fails to impart any new impetus to the economy.

With only a fraction of the city populations creating the revenue from which services for so many others have to be provided, it is easy to appreciate why urban facilities are over-used and why the standards and efficiency of urban services are low.

Urban management is difficult: Property rates, income taxes and other small taxes all provide revenue, but they are difficult to collect when an area mushrooms.

**Dual Leadership**  
The origins of Lagos lie in farming. The early Yoruba settlement in the 17th century was in what is now Ebute-Metta (on the mainland), which then developed into Iddo Island for defensive reasons during inter-Yoruba hostilities, and Lagos Island became the farmland for the community. The indigenous name for Lagos, Eko, is thought by some to derive from "oko," then the Yoruba word for "farm." Little resemblance remains.

From those early settlements, cities like Lagos developed. Supervision came from the traditional rulers, whose jurisdictions spread over rural areas. Today, the traditional rulers have lost few of their powers, and thus there is a dual leadership.

The negative influence of this dual leadership, coupled with the rather discriminatory attitude of long-time residents toward the newly arrived immigrant, has a debilitating effect.

The inner urban areas in Britain erupted under the pressures of tension and deprivation this summer, and there have been similar outbreaks of violence in some of Nigeria's cities. People can accept a certain amount of living atop one another, but when conditions deteriorate, the pot can boil all too easily.

**Increasing Danger**  
In some of Nigeria's larger urban areas, the lack of effective planning and the dearth of facilities and amenities represent an increasing danger.

A way must be found to curtail the influx to these areas. Several cities reached the saturation point many years ago. Yet with universal primary education and a high percentage of children graduating into secondary education, the outlook for reducing urban migration is not good.

The difficulties of creating employment opportunities fast enough to keep pace with the aspirations of an educated population may prove to be a real "Catch 22" in the development of the nation.

— BRYAN PEARSON



MOSLEMS gather for prayer at mosque in Sokoto, in northern Nigeria.

Dollar Declines as Reserve

IMF Says Major Currencies Gained Over U.S. Unit

WASHINGTON — The U.S. dollar, despite its surge in value on foreign exchange markets, continues to decline in importance as a foreign exchange reserve, the International Monetary Fund has found.

The Swiss franc and the Japanese yen increased as a proportion of total reserves, the IMF said. "While the shares of the French franc and the Netherlands guilder rose marginally, the pound sterling reversed the trend toward a declining share evident through 1978 and increased its proportion."

The current account deficit for industrial countries to narrow to \$2.7 billion in 1981 from \$4.1 billion in 1980. Staff projections show the current account 1981 surplus of the oil exporting countries will also fall, to \$96 billion from a record \$112.2 billion in 1980.

New OTC Methods Upset N.Y. Brokers

By Michael Quint

NEW YORK — The over-the-counter stock market, that boundless arena where securities of as many as 10,000 companies are traded daily by telephone rather than on the floor of an exchange, is taking steps toward combining trading information with the major stock exchanges. The prospect is already making some securities dealers nervous.

A national market system linking the over-the-counter market with the bigger but slower growing exchanges is probably years away, but for stocks of 50 larger companies in the over-the-counter market, the changes will begin to emerge next February. Starting then, stock quotations for those 50 companies will show the opening, high, low and last price of the day's trades, along with the volume and closing bid and asked prices. Currently, only the volume and closing bid and asked prices are published.

"We are entering never-never land in the over-the-counter market," said Morton Weiss, president of the National Security Traders Association. "Nobody knows what the disclosure of prices will mean," he added, "but there is concern that it could mean lower profits for the firms who make markets, which could encourage them to drop the activity."

At the exchanges, such as the New York Stock Exchange or the American Stock Exchange, the "trade tape" was a natural development.

Sweden to Devalue Krona

Economy Plan Calls for Price Freeze, Spending Cuts

STOCKHOLM — The Swedish government devalued the krona by 10 percent, froze prices and announced a 6-billion-krona (\$1.2-billion) program of spending cuts Monday in a package of measures aimed at strengthening the sagging economy and improving export competitiveness.

In addition, the national value-added tax will be reduced to 20 percent from 23.46 percent beginning in November as a concession to beleaguered industry. The announcement came at a time that the minority center-liberal government of Premier Thorbjörn Fälldin has been under heavy pressure to restore the competitive position of Swedish industry and stimulate exports.

Heavy government borrowing abroad, high inflation and a decline in Sweden's share of international markets in the past years have weakened its economy. Flagging production, swelling imports, slackening investment and gaping deficits have become part of the nation's economic landscape.

signed to combat inflation, which is forecast at around 13.5 percent this year, one of the highest rates in Europe.

Cuts in military expenditures, allocations to local government and reduced compensation for inflation for retirees will be brought forward to Jan. 1 under the plan.

About 600 million kronor will be set aside in a bid to create about 35,000 jobs. Unemployment stands at 2.6 percent.

In Brussels, exchange dealers said the Swedish devaluation may add to pressures for realignment of currencies in the European Monetary System.

The devaluation can be expected to boost the Deutsche mark at a time many dealers think it is undervalued against weaker EMS currencies, they said.



Thorbjörn Fälldin ... Moves to aid economy

BUSINESS NEWS BRIEFS

Bank of England Acts to Boost Rates

LONDON — The Bank of England raised its short-term interest rates sharply Monday, signaling higher rates for the whole economy and giving a boost to the ailing pound on foreign exchange markets.

The tightening of monetary policy was signaled when the Bank of England lent \$75 million to money market discount houses at an overnight rate of 13 1/2 percent. This was a rise of about 1.5 percentage points from last week.

Olivetti Says Sales Up 23.8% in 1st Half

IVREA, Italy — Olivetti said Monday that consolidated group sales rose 23.8 percent, to 1.19 billion lire (\$985 million), in the first half of 1981 from the first half of 1980.

Parent company turnover rose 26.6 percent, to 659 billion lire, in the same period. The board said that profits for both the parent company and the group were "considerably" higher than in the first half of 1980.

Ford Plans Major European Investment

PARIS — Ford Motor will invest the equivalent of 5 billion French francs (\$867 million) in its European factories over the next five years, Rudolph Boniface, president of Ford France, said Monday.

He said Ford was satisfied with its European sales performance. The company's market share is 12.3 percent, up 8 percent from a year ago.

VW Will Not Close Triumph-Adler Plant

BONN — Volkswagen has changed its plans to close a plant run by one of its ailing divisions, despite a reported loss in the carmaker's second quarter.

Triumph-Adler, an office machine maker owned by VW, said Monday that a plan to close its Frankfurt plant immediately with a loss of 2,800 jobs has been dropped. Instead, the company will maintain the plant, although cutting 1,600 jobs at the plant over the next 18 months and a further 700 jobs elsewhere in West Germany.

Siemens Forms Industrial Robot Company

MUNICH — Siemens, West Germany's largest electrical and electronics group in sales, has established a new subsidiary company for the development, production and sales of industrial robots.

The company will be called Mantic Gesellschaft fuer Automatisierungen und Handhabungssysteme, Siemens said. The robots offered by Mantic will perform industrial assembly functions and operate machine tools, according to the company.

ITT in Talks on Sale of Subsidiary

NEW YORK — International Telephone & Telegraph said Monday that talks are being held with a number of companies for the possible sale of ITT Rayonier, a forest products subsidiary with 1980 sales of \$750 million.

U.S. Officials Reject Credit Curbs

WASHINGTON — U.S. government officials Monday came out strongly against the use of credit controls as a means of dealing with high interest rates.

Treasury Secretary Donald T. Regan said that credit controls were not the answer to high interest rates, and Mary L. Weidenbaum, chairman of the Council of Economic Advisers, said the administration would not impose any type of credit restraints and does not expect Congress to do so either.

Credit controls "have never worked and would not work in this instance," Mr. Regan said in a speech in Indianapolis. And Mr. Weidenbaum, questioned in Washington, said, "We don't believe in credit controls or wage controls, that is not the route we are taking." Asked if President Reagan would veto such legislation if Congress passed it, Mr. Weidenbaum replied, "I don't think it's going to get that far."

Some Republican members of Congress last week suggested imposing some type of credit controls.

Mr. Weidenbaum also said there is evidence of "significant reductions in interest rates in the past several months." He cited a drop in the federal funds rate from 19.9 percent in July to 16.5 percent last week as evidence of the slow down.

He also noted a one point drop in the Treasury bill rate. "This is factual evidence of moderation of the steep interest rate situation," he told a group of bankers.

Mr. Regan, in a second speech in Michigan, chastised the financial markets for overreacting to weekly money supply reports from the Federal Reserve.

The market's jittery behavior "has no basis in any real event in the economy," he said, and the attention devoted to the weekly money supply figures is "misplaced."

Mr. Regan also rejected as "simplistic" suggestions that the markets are nervous about reports that the fiscal 1982 deficit will be higher than projected by the administration.

He said that the Federal Reserve Board "is not suddenly going to reverse policy and threaten a new round of inflation," saying there will be "continuing and, I believe, successful efforts to sustain money growth rates at non-inflationary levels on a steady basis, paving the way for steady declines in inflation and interest rates."

Mr. Regan, in a third speech prepared for delivery in Chicago Monday night, said that financial realities have changed since the 1930s while many regulations from that era, such as the Glass-Steagall Act, have not. He said such regulations as Glass-Steagall, which bars commercial banks from most areas of the securities business, "don't make sense now."



Donald T. Regan ... controls 'have never worked'

Kuwait Says OPEC Trying To Unify Prices Informally

KUWAIT — OPEC countries are discussing to unify prices after oil ministers failed to do so at emergency talks last month in Geneva, Kuwait government spokesman Abdul-Aziz Hussain said Monday.

He told reporters after a Cabinet meeting that "consultations are going on between OPEC members to discuss the possibility of unifying prices and ending the current divergences."

Kuwait Oil Minister Ali Khalifa al-Sabah said last week that he did not rule out the possibility of a special meeting of the Organization of Petroleum Exporting Countries before the next scheduled session in Abu Dhabi on Dec. 10.

Mr. Hussain, who did not mention any meetings, said he does not believe the present pricing differences threaten OPEC because member states are unanimous in their desire to keep it strong.

OPEC sources have said the consultations between members are aimed at reaching a compromise and if a deal were struck, OPEC might meet in special session ahead of the Abu Dhabi talks.

In Jakarta, Indonesian Oil Minister Subroto, who is also OPEC president, welcomed moves for an ministerial meeting prior to the Abu Dhabi session.

He said such a meeting could pave the way for a successful Abu Dhabi conference.

U.S. Steel Prices Face European Challenge

NEW YORK — A top Common Market official is expected to press the Commerce Department this week to let European producers sell steel in the United States at prices below the official import or trigger price.

Many industry and government sources believe Viscount Etienne Davignon, industrial commissioner of the European Economic Community, will argue that the currency markets' trend has made it possible for Europeans to sell steel in the United States more cheaply.

The struggle over trigger prices has become increasingly heated in the past two months. The Europeans are flatly challenging the trigger price mechanism, the Americans are scrambling to compete with the Europeans in a declining steel market and the Japanese are threatening retaliation if the Europeans get special consideration.

U.S. steel executives are not willing to say that the trigger price should be lowered, but there is some feeling among industry and government sources that Mr. Davignon's proposals will be given serious consideration.

"Everyone is saying that something has to be done," said John Corey, manager of international analysis at Armaco, a major U.S. steel company. "The government is making a very credible effort to enforce trigger pricing. But, given what has happened in the market, a best effort isn't enough."

The trigger price was intended to prevent foreign producers from selling steel in the United States for less than its production cost. The trigger price is based on the production costs of Japanese steelmakers, generally accepted as the most efficient.

The European producers contend, according to a Belgian exporter, that the strong dollar has lowered the price of steel in their home markets and has made it possible to sell steel in the United States at less than the trigger price.

Shipping costs One of the options being considered by the Commerce Department, according to a government source, is to give European steel producers a price concession on their transportation costs to the Great Lakes region.

Shipping expenses are calculated on the basis of what it costs the Japanese; but shipping distances for the Europeans are shorter.

Other proposals are to allow some European producers to sell at 5 percent under the trigger price or simply to lower the trigger price for steel shipped into the Great Lakes region.

U.S. producers, according to an industry source, contend that the Europeans are already selling steel at \$100 under the trigger price. Most of the European steel pro-

ducers export steel to the Great Lakes region for use by the auto industry.

Imports of many products used by the auto industry increased by 50,000 to 60,000 tons a month in the second quarter, according to Mr. Corey of Armaco.

The Commerce Department has received several complaints about foreign producers selling under the trigger price and is considering investigating them, a department official said. He declined to say whether the companies were European.

CURRENCY RATES

Table with columns for currency, rate, and dollar values. Includes interbank exchange rates for Sept. 14, 1981, and dollar values for various currencies.

BEAT INFLATION GUARANTEED

Advertisement for a bank offering term deposit accounts with interest rates ranging from 15.75% to 19% for various currencies like Dollar, Peseta, Franc, etc.

Prices on Wall Street Slip Despite Cut in Bank Rate

NEW YORK — Disappointment over President Reagan's smaller than expected cuts in defense spending sent prices on the New York Stock Exchange lower Monday, despite a cut in the prime rate by a major bank.

The Dow Jones industrial average opened higher but quickly turned down, falling as much as eight points and closing off 6.66 at 866.15.

Declines led advances, 940-580, among the 1,895 issues traded, and NYSE volume declined to 34.04 million shares from the 42.17 million Friday.

The bond market, which has been hit hard this year by high interest rates and government spending, was sharply lower.

Many traders were disturbed that President Reagan over the weekend proposed only a \$13 billion cut in defense spending over three years when the investment community was expecting a more substantial trimming in order to prevent a credit crunch soon.

Crocker National Bank and several small banks lowered their prime rate early in the day to 20 percent from 20 1/2 percent. Marine Midland Bank, Chase Manhattan and First National Bank of Chicago took that step last week.

The most active NYSE issue was RCA at 19 1/2, with a block

Markets Closed Stock markets in Switzerland and all financial markets in Hong Kong were closed Monday due to holidays.

Lower Prices Urged

The devaluation will be against a basket of 15 currencies most important to Sweden's trade, the government said. The makeup of that basket will remain unchanged. The krona was last devalued in August, 1977, also by 10 percent.

"It is important that the export industries make use of the devaluation and lower their prices in order to regain lost market shares," Mr. Fälldin told a news conference.

Asked if he thought the devaluation in Sweden would trigger a wave of devaluations in Europe, Mr. Fälldin said: "No, I don't think the strong West European economies see Sweden as a guiding star." Officials in Finland, Norway and Denmark said those countries would not follow Sweden's example.

Asked what impact the devaluation would have on Sweden's trade balance during this fiscal year, Economy Minister Rolf Wirtén said: "We'll come out somewhere between 15 billion kronor and 20 billion kronor in the red. But without it we would have fared a lot worse."

The package needs the support of the Conservative Party to gain parliamentary approval. The government parties together with the Conservatives command a one-vote majority in the Riksdag (parliament) over the leftists headed by the Social Democrats.

Industrialists, economists and bankers said that while the cheaper krona will help exports, it will raise the price of imported crude oil and other products, thus adding to inflation.

The government said the price freeze, in effect from now until Jan. 1, and the cut in VAT are de-

ARGENTINE REPUBLIC

Advertisement for Argentine Republic External U.S. \$ Bonds, offered by The Weston Group. Includes contact information for Zurich, Panama, and Havana.

Large advertisement for Transamerica Financial Corporation N.V. featuring U.S. \$75,000,000 and U.S. \$150,000,000 in 7% notes due September 3, 1986. Lists various financial institutions and Morgan Guaranty Ltd.

Advertisement for Jet Aviation Private Jet Services, Europe's leading management and charter company for business jets. Includes contact information for Zurich.

NYSE Nationwide Trading Closing Prices Sept. 14

Tables include the nationwide prices up to the closing on Wall Street.

Main NYSE stock price table with columns for 12 Month High/Low, Div., P/E, and various stock symbols like IBM, GE, and Ford.

Chicago Futures

Chicago Futures table listing prices for Wheat, Corn, Soybeans, and other commodities.

U.S. COMMODITY PRICES

U.S. Commodity Prices table listing various commodities like Copper, Silver, Gold, and their respective prices.

Markets Closed

Stock markets in Switzerland and all financial markets in Hong Kong were closed Monday due to holidays.

International Monetary Market

International Monetary Market table listing exchange rates for various currencies.

European Stock Markets

European Stock Markets table listing closing prices for major European cities like Amsterdam, London, Paris, and Frankfurt.

New York Futures

New York Futures table listing prices for various futures contracts.

London Metals Market

London Metals Market table listing prices for metals like Copper, Silver, and Gold.

London Commodities

London Commodities table listing prices for various commodities.

Cash Prices

Cash Prices table listing various cash prices for commodities.

Market Summary

Market Summary table providing a quick overview of market performance.

Commodity Indexes

Commodity Indexes table listing various commodity index values.

Dividends

Dividends table listing dividend payments for various companies.

Dow Jones Averages

Dow Jones Averages table listing the Dow Jones Industrial Average and other market indices.

INTERNATIONAL INCOME FUND advertisement with details on investment options and contact information.

European Gold Markets advertisement listing gold prices and options.

WALL STREET REPORT advertisement for a 16-page weekly publication.

Toronto Stocks advertisement listing closing prices for various Toronto stocks.

Italy's Unemployed Rises advertisement reporting on unemployment statistics in Italy.

Standard & Poors advertisement listing various stock prices.

Montreal Stocks advertisement listing closing prices for Montreal stocks.

American Most Actives advertisement listing active stock prices.

Monday's New Highs and Lows advertisement listing daily market highs and lows.

AMEX Index advertisement listing American Market Exchange index values.

Canadian Indexes advertisement listing various Canadian market indices.

AMEX Nationwide Trading Closing Prices Sept. 14

Tables include the nationwide prices up to the closing on Wall Street.

Main table of AMEX Nationwide Trading Closing Prices for September 14, 1981. Columns include stock symbols, prices, and volume.

Brokers in New York Upset by New OTC Stock System

(Continued from Page 19)
operation because the whole operation was organized around the principle of bringing traders together in an auction market. The over-the-counter market, in contrast, is based on securities firms first buying the stock, then selling from their inventories and profiting from the markup.

COMPANY REPORTS

Revenue and profits, in millions, are in local currencies unless otherwise indicated.

France
Empain-Schneider Group
1st Half 1981 1980
Revenue 21,300.0 16,700.0

Great Britain
Pearson & Son
1st Half 1981 1980
Revenue 327.4 261.07
Profits 19.84 17.39

Japan
Mitsubishi Chemical Ind.
1st Half 1981 1980
Revenue 344,410 420,570
Profits 2,320 7,200

Norway Shows Deficit After Surplus in July
OSLO — Norway's trade account, excluding ships, showed a preliminary 761-million-krona (\$127.1-million) deficit in August compared with a 1.74-billion-krona surplus in July, the government said.

Retail Sales in Britain Recovered in August
LONDON — British retail sales volume recovered in August with a 1.6-percent increase, after a 1.8-percent drop in July, to just below the level of sales in June, provisionally reported Monday.

The trade account in the first eight months of this year had a 9.23-billion-krona surplus, up from a 3.26-billion-krona surplus in the same 1980 period.

Eurocurrency Interest Rates

September 14, 1981

Table with columns: Dollar, D-Mark, Swiss Franc, Shilling, French Franc, ECU, SDR. Rows show interest rates for 1M, 3M, 6M, 1Y.

Floating Rate Notes

Closing prices, Sept. 14, 1981

Table with columns: Banks, Coupon, Bid, Ask. Lists various bank floating rate notes.

Selected Over-the-Counter

NEW YORK (AP) — Closing Prices, September 14, 1981

Table with columns: Symbol, Price, Change. Lists over-the-counter stock prices.

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Tokyo Exchange

September 14, 1981

Table with columns: Symbol, Price, Change. Lists Tokyo exchange stock prices.

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Advertisement for Franco Britannic featuring the Silver Spur Silver Spirit logo and contact information for Paris delivery tax free.

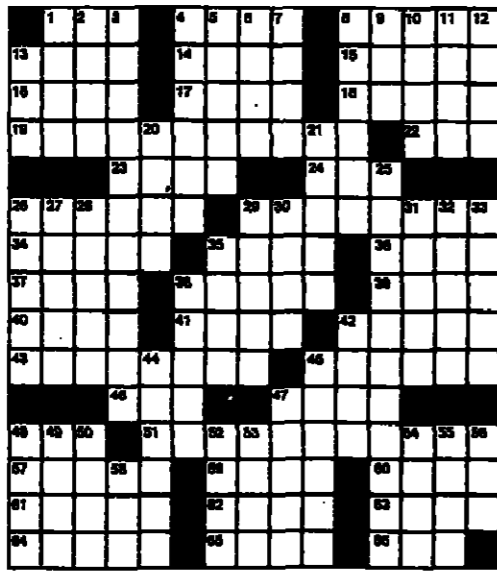
Advertisement for Turnberry Isle Yacht and Racquet Club, featuring a photo of a yacht and contact information for Miami.

Advertisement for 'YOUR CAPITAL DOUBLES in 5 years' with details on a deferred income deposit scheme and interest rates of 3 3/4% and 15%.

Advertisement for 'FOR A MAXIMUM RETURN ON TIME INVESTED' from International Herald Tribune, featuring a large graphic and contact information.

CROSSWORD

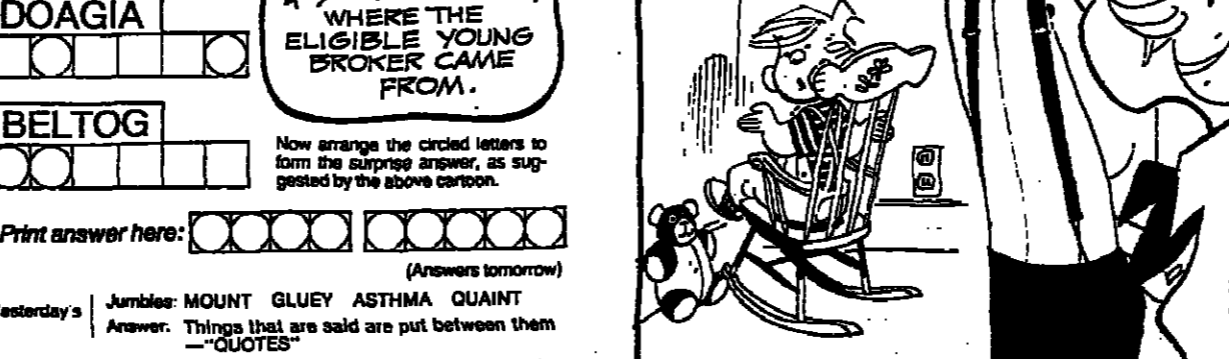
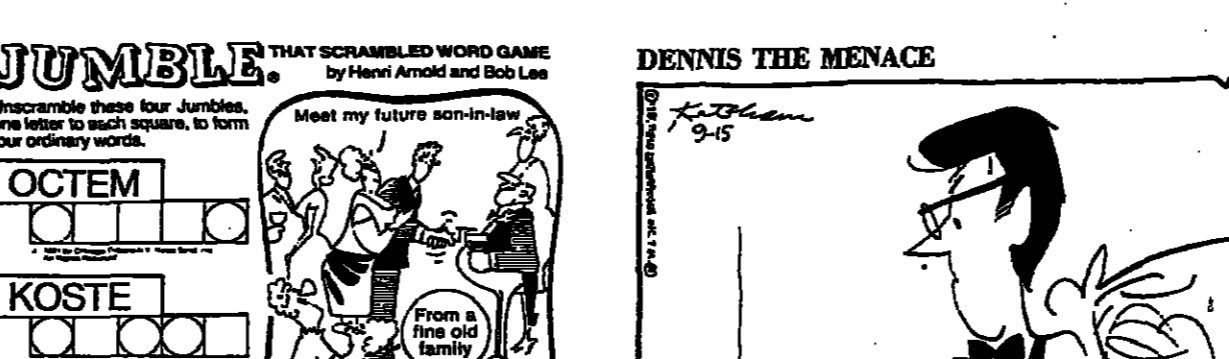
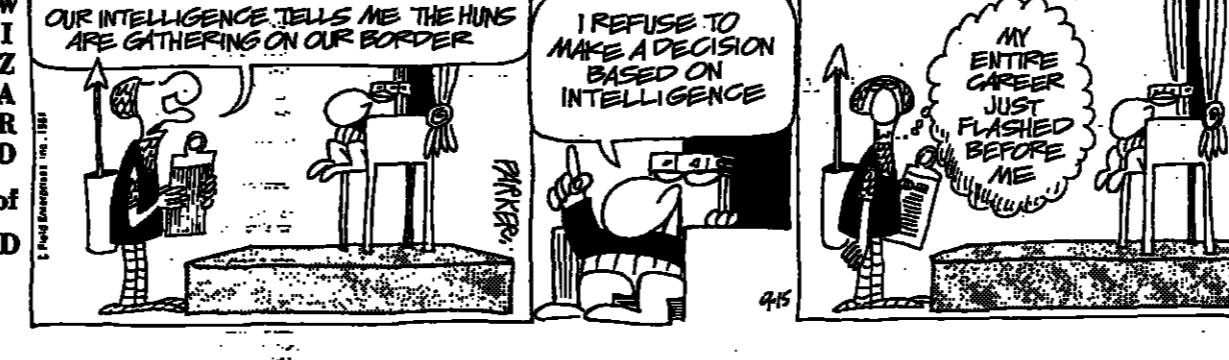
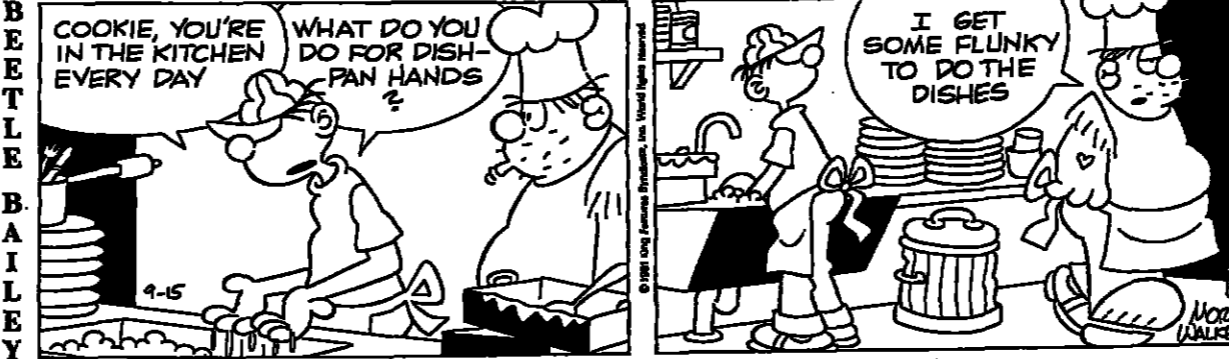
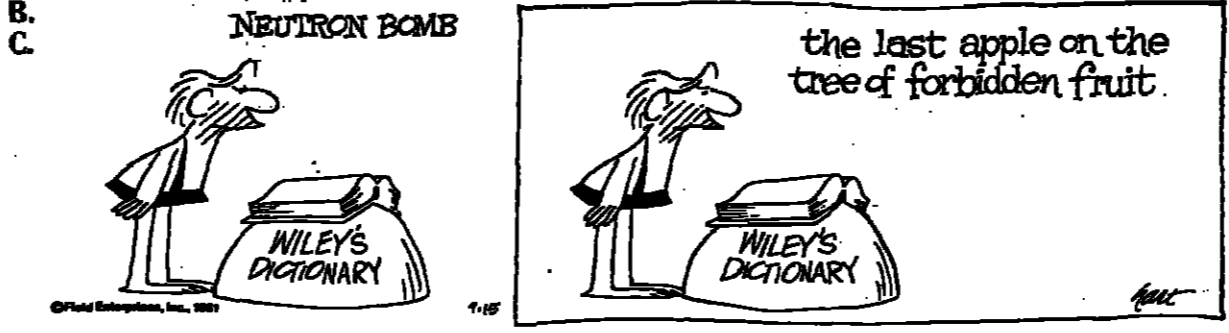
By Eugene T. Malachuk



- ACROSS
1 Gen. Arnold
2 "Blood Wedding"
13 Alling girl in opera
14 State as fact
15 French soup favorite
16 Eager
17 Booming's square
18 Math word
19 "The Wind," film classic of '51
22 Landers or Miller
23 Grant or "Foxy"
24 Unclouded
26 Companion of yon
29 Unwritten ones
34 Component in perfume or medicine
35 Fox or turkey follower
36 "a Song"
37 Go
38 Edwin or J. Wilkes
39 Location
40 Coup d'—
41 Lhasa (dog breed)
42 Bodega or boutique
43 Marks off as a poor risk
45 —Sea (saline lake of Calif.)

WEATHER

Table with weather forecasts for various cities including ALBUQUERQUE, ALBUQUERQUE, ANCHORAGE, etc., with columns for High, Low, and conditions.



BOOKS

THE GEOGRAPHY OF THE IMAGINATION
By Guy Davenport. 384 pp. Cloth \$20. Paper \$10.

ECLOGUES
By Guy Davenport. 238 pp. Cloth \$15. Paper \$7.50.
North Point Press, 830 Talbot Avenue, Berkeley, Calif. 94706.

Reviewed by Hilton Kramer

AS A MODE of literary discourse, criticism — when it is not simply opinion-mongering — tends to be shaped by the objects in which it takes the most intense and protracted interest. An ideal sympathy is established between the critic and the habits of vision to be found in the kind of poem or painting or other art work that most urgently engages his attention, and this sympathy — amounting at times to a passion — determines the very style of the critic's discourse. It also, of course, determines the limits of the critic's vision.

In the case of Guy Davenport, whose critical writings have now been collected in "The Geography of the Imagination," the principal shaping spirit is emphatically that of Ezra Pound. Not only is Pound's poetry upheld as the fulcrum of the modernist achievement and his prose esteemed as the finest of all critical wisdom, but in other respects too — above all, in his fundamental outlook on modern civilization — Pound is embraced as a man to be admired and a mind to be emulated; he is, in Davenport's opinion, the greatest aesthetic intelligence of the modern period.

Now it takes a lot of talent and a lot of learning for a writer to live up to the standards of such a formidable model, and it should therefore be said straightaway that Davenport acquires himself remarkably well in meeting those standards. He certainly brings the requisite learning, discipline, sensibility and versatility to his many literary endeavors, and it is not to be confused with the multitude of cranks and ignoramuses who have somehow been found in "The Cantos" a warrant for their own misguided effusions.

Far from finding the sheer range of Pound's linguistic, historical and aesthetic interests in any way daunting, he has addressed himself to the variety of challenges with an impressive energy and application.

Thus, among the many subjects discussed in "The Geography of the Imagination" are the writings of Homer, Walt Whitman, Edgar Allan Poe, Louis Agassiz, John Ruskin, Marianne Moore, Wallace Stevens, Osip Mandelstam, Gertrude Stein, James Joyce, Louis Zukofsky, Charles Olson, Eudora Welty, and Pound, of course, as well as the paintings of Paul Gauguin, the photographs of Ralph Eugene Meatyard and the music of Charles Ives. Much attention is given, too, to prehistoric art and to the scholarship that has focused on primitive and prehistoric culture.

This impassioned discipleship to Pound clearly brings many advantages to a mind as responsive and well-stocked as Davenport's, but I am afraid it also accounts for some of his less appealing articles of belief. He appears to share with the master an implacable hostility to modern society and a corollary myopia in the realm of politics. Sharing Pound's radical aestheticism, Davenport follows his lead in despising almost everything about the modern world except its artistic accomplishments.

This, to say the least, places a certain restriction on the range of Davenport's sympathies. Reading his essays, I am reminded of a passage in Edward Shils' new book "Tradition." "Modern culture," writes Shils, "is in some respects a vitiated and deliberate effort to undo by technology, rationality and governmental policy the givenness of what came down from the past." This is precisely what finds intolerable in modern culture, and against which their every argument, allusion and creative endeavor is marshaled. That this "vicious and deliberate effort" may have brought certain benefits to mankind is never for a moment considered a serious possibility; for it is a proposition that ill accords with a purely aesthetic view of experience.

What is yearned for as an alternative to the debacle of modernity (as it is thus thought of) is the life of the "ancient cultures," which are alleged to have possessed "critical tools for analyzing reality" superior to ours. What is to be valued in the 20th century is not so much what it has initiated as what it has rediscovered — most especially the "renewance of the archaic" that has been pioneered by certain artists, writers and scholars. It therefore follows that the figures to be admired, above all others in our time,

are "the artists who were performing the great feat of awakening an archaic sense of the world." It is to them, described as "the whole Tribe of Dadaists," and to their work that "The Geography of the Imagination" is devoted.

Davenport is, to be sure, only modest about what this exertion or behalf of the archaic has brought us. "Whether, indeed, the century's sense of the archaic served to alleviate our alienation from what was once most familiar, or whether it put our alienation into even starker contrast to ages in which we romantically supposed man to have lived more harmoniously and congenially with his gods and with nature, it is too early to say," he writes. Yet he harbors no doubts about the ideal we should set for ourselves. "The nearest model for a world society alive was the archaic era of our own culture, pre-Aristotelian Greece and Rome," which is much to be preferred, one gathers, to the world in which "the railroad tracks went down and the factories up" and "our sciences began to explain the mechanics of everything and the nature of nothing."

What in fact seems to be the case is that this whole romance of the archaic is an elaborately constructed preserve for exercising the ruminative powers of the literary mind, and bears little, if any, relation to the actualities of life in those coveted "ancient cultures." In this respect, certainly, Davenport remains completely faithful to the spirit of "The Cantos," in which history is constantly being manipulated to serve the purpose of image, ideology and myth.

As a writer of short stories he is, in a way, even more of a sectarian than he is as a critic. In his first book of fiction, "Tatlin," published seven years ago, Davenport created a mode of writing that, despite its obvious debt to Pound, was highly original. Stories constructed along the lines of a pictorial collage that were part historical, part learned essay, part lyric idyll. Densely written, studded with esoteric allusions, an unfamiliar vocabulary and quotations from many languages, and often obscure in the actions they depict, these stories definitely qualified as a species of "dadaism" — a carefully concealed punning that had to be painstakingly "searched out."

Learned and Obscure Idylls
As its title suggests, the fiction in "Eclogues" is yet another parcel of learned and obscure idylls. Whether these stories are set in antiquity or in the modern world, however, what occurs in them is often difficult to follow. In fact, that is the inevitable cast of young writers, beset by the same male characters in the "modern" stories begin to peel off their jeans or some other item of "vestimentary sensuality" as a prelude to a sexual frolic.

The sexual para pris that governs the evocation of the archaic in this fiction is anything but obscure. In "The Death of Picasso," a middle-aged male scholar sequesters himself on a European island in the company of a young man who has had a history of sexual delinquency. After various vicissitudes, none of them interesting, the young man offers himself to the older man, and the latter is moved to declare his love: "But I love you just so, Heide Sander, charmingly naked and good natured. You keep my imagination alive. You've helped me write my book, you have beguiled all our time here into a kind of ancient ambience, Damon the old shepherd I, Mopsus the young shepherd you, full of piss and vinegar."

In "On Some Lines of Virgil," the longest of the stories in "Eclogues," something of the flavor of the writing, and of the action, may be discerned in the following passage, which recounts a sexual pas de quatre involving three boys and a girl:

"Michel remarked of my cantered sex and tight scrotum that interest mounts, and crawled over to a dubious Victor to roll him into an arm-clasp, smuggle his chin, navel, and penis, each with a wiggly nudging of his nose and a grumble, laughing and making a nasty face." It may be that one has to acquire a more learned appreciation of Virgil's Eclogues in order to get at the concealed meaning here, but I frankly doubt it.

What is sure is that Davenport's stories will prove to be a boon to literary academics looking for new examples of "dadaism art" to explicate. What a labor of research awaits them! And what a comedy it is to find that the dedication that swells at the end of this long descent into the archaic is — the seminar room!

Hilton Kramer is chief art critic at The New York Times.

BRIDGE

By Alan Truscott

AN average player in the East seat might not see any problem on the deal when West leads the spade king against four hearts. He would automatically play the four, asking for a continuation of the suit by concealing the deuce. And, as it turns out, he would be right.

But an expert will see a lurking danger. If South has a doubleton spade, further spade plays will establish the jack in dummy, and provide a discard for a possible club loser in the closed hand. But there is also a danger in playing the deuce as a discouraging move: If South has three spades, he may have a discard if the spades are not quickly cashed.

The hands South can have with three small spades and a potential discard outstanding are those in which a spade continuation will help him. But it would take a few minutes to prove this, and East could only spare a few seconds. If he took a long time to make his choice, his partner would know why he was thinking and an ethical problem would be created.

Bridge hand diagram showing North and South hands with cards like AK10, QJ, etc.

East and West were vulnerable. The bidding: West North East South Pass Pass Pass Pass

West led the spade king.

McEnroe Beats Borg for U.S. Crown

By John Feinstein

NEW YORK — John McEnroe won his third straight U.S. Open title Sunday, defeating Bjorn Borg 4-2, 6-4, 6-3, in the final. It was the fourth time in six years that Borg had lost the final of this tournament. He has failed to win the U.S. Open in 10 attempts.

It was also the third straight major final that McEnroe has won from Borg. He won last year and at Wimbledon this summer. McEnroe took control of the match midway through the third set, rallying from 4-2 down to win the set, breaking Borg's serve twice.

After the two players traded breaks in the fourth set, McEnroe broke for a 4-2 lead after Borg made two unforced errors at 30-all. Borg served two match points serving at 2-5 and then gave up when McEnroe served out the match at 15, ending the tournament when Borg punched a hard first serve long.

Explosive Start The victory was worth \$66,000 to McEnroe; Borg collected \$33,000. McEnroe started the match explosively, winning his first three service games with the loss of just one point, getting his first serve in consistently. Borg was struggling, twice going to double in his first three service games but nevertheless coming through each time. The players reached 3-3 on serve.

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And got no help from any other facet of his game. Borg broke him at love, thanks to a forehand that McEnroe pushed deep, two botched volleys and a clean forehand winner by Borg for the game. Borg then held easily at 15 and immediately had McEnroe at triple set point in the next game as McEnroe double-faulted and butchered an overhead. But Borg pushed two second serves deep, and McEnroe finally came up with a first serve to reach deuce and get out of the game when Borg hit a backhand wide.

The reprieve was only temporary as Borg served out the set with a strong game, ending with a running forehand winner and a hard first serve down the middle that McEnroe hit deep.

Escape Artist It was the first time in four Open finals that Borg had won the first set. But McEnroe is not a player who finishes after a poor start. In the second game of the second set, he finally broke Borg with two gorgeous shots at 30-all.

Topspin Lobbs He held at 30 for 4-3 and then played as good a game as any seen here in the last two weeks to get the break back. He hit a hard backhand crosscourt past a startled Borg for 0-15. Borg got one back on his first serve and another running forehand winner down the line. When Borg punched a forehand approach long, it was double set point.

Borg climbed out of that with a screeching backhand and service winner. But McEnroe placed a backhand in the corner where Borg could only hit it wide and followed with an inside-out forehand to set up a 6-4 sixth forehand volley for the set, 6-4.

McEnroe was flying now, his behavior impeccable, his game better. In the fourth game of the Smith Double in Doubles NEW YORK — Anne Smith shared two U.S. Open doubles titles, teaming with Kevin Curren for a 6-3, 7-6 victory in the mixed final and returning with Kathy Jordan to beat Rosie Casals and Wendy Turnbull in the women's doubles final, 6-3, 6-3.

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John McEnroe with his U.S. Open trophy after beating Borg.

The Crowd's Favorite Was Gone

By George Vecsey

NEW YORK — "Where did he go?" a tournament official scurrying through a tunnel underneath the National Tennis Center Sunday night on a search for Borg.

After the 2-hour-40-minute final, Borg skipped the traditional award ceremonies and postmatch news conference. He disappeared after his last shot lofted over the baseline. His coach and constant companion, Lennart Bergelin, moved quickly through the crowd and down a passageway.

The two men met under the stands and moved rapidly through corridors. In the plaza area near the scoreboard, fans turned and gaped at the Swedish pair striding quickly in the company of security agents. The entourage moved through a hall, up some stairs and through a door of the players' locker room.

A sign said: "No Press Sunday." The crowd of 18,504 was not told why Borg skipped the ceremonies. On the court, John McEnroe was making a gracious speech. Bjorn Borg was not talking. He was moving out.

The door closed to the locker room. Four plainclothes officers from the Queens Task Force stood outside the door. Another officer called out, "Bring the car around."

This was the way Bjorn Borg's 1981 U.S. Open ended: in shock and perhaps in fear. At a quarter to five, while Borg was winning the first set — the only set he would win — a death threat had been received at the switchboard of the tennis center.

Borg had received a threat on Saturday but was not informed until after his victory over Jimmy Connors Sunday. He probably did not learn of the threat until after the match. A tournament official said nobody on the committee told either Bergelin or Borg during the match, and nobody was seen talking to Borg during it.

The Borg was out on the court, along with John McEnroe, a few hard-eyed men scattered around the portals, paying no attention to the action but scanning the stands.

None of this newest commotion may have affected Bjorn Borg, six times the champion in Paris, five times the champion at Wimbledon, and the sentimental favorite for most fans at the tennis center here. In all his 10 visits to the Open, perhaps he did not entertain people like Ilie Nastase or charm peo-

ple like John Newcombe or light up the crowd with a smile like Manuel Orantes. Or win fans with his sensitivity like Guillermo Vilas, or inflame emotions like Jimmy Connors and John McEnroe. But he has played superbly and lived as a gentleman.

In the hometown of John McEnroe, the vast majority of fans were pulling for Borg. In this disco age, New York fans more often chant vulgarities at visiting sportsmen, but a superb Swedish tennis player long ago won them over.

Most fans wanted Borg to win one American title. McEnroe was on his best behavior and playing well, so there was little to boo. The crowd clapped when McEnroe slammed a ball into the net after being broken in the fifth game of the third set.

But Bjorn Borg could not beat John McEnroe. After their emotional confrontations here and at Wimbledon in the past, Sunday's match was quick, decisive and a bit sad. If Borg has not won the U.S. Open in 10 trips to New York, perhaps he may never do it.

He may have been thinking that as the placid dunder officers led the way down the stairs. The most successful tennis player in the world for much of the past decade was escorted past greasy puddles from the kitchen. His hair was still wet from the shower. At one particularly greasy corner, he pointed to warn Bergelin not to slip.

Borg 'A Great Champion' From Agency Dispatches NEW YORK — "I'd like to join in commiserating with Bjorn because he's a great champion," McEnroe said to the crowd as he accepted the winner's trophy. "I think he's going to win this damn tournament some day, but hopefully not when I'm here."

"I don't think he was really sure what he was doing," McEnroe said later. "He'd come in [to the net] and then wasn't really sure whether he should have or not."

"He played a great first set but then for some reason he seemed to let up," McEnroe said. "I was really surprised by the way he tried to play today. He didn't seem to know what he wanted to do a lot. He didn't play his game today."

Sunday night McEnroe had firmly established himself as the No. 1 player in the game. Time for celebration? "Maybe for a little bit," he said. "But not for that long. You have to go on."



Bjorn Borg pausing to nurse in the fourth set, with defeat near.

Soviet Union Humbles Canada in Hockey

By Parton Keece

New York Times Service

MONTREAL — The Soviet Union whipped Canada, 6-1, Sunday night to win the Canada Cup hockey tournament. Vladislav Tret'yak, the goaltender, blocked 26 of 27 shots and Sergei Shepelev scored two goals and Igor Larionov two of the winners.

Canada had not lost a game in six previous contests in the tournament and had twice defeated the Soviet team, once in an exhibition game and again in the round-robin preliminary. But after a scoreless first period, the Soviet skaters scored three second-period goals to put them in command.

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Red Sox Fall To Guidry's Hot Yankees

From Agency Dispatches

NEW YORK — Ron Guidry won his seventh game in a row as the Yankees trounced the Red Sox Sunday, 10-6.

Willie Randolph's three runs batted in, plus home runs by Dave Winfield and Bob Watson, let the Yankee left-hander retire with a comfortable lead after five innings.

McEnroe was flying now, his behavior impeccable, his game better. In the fourth game of the Smith Double in Doubles NEW YORK — Anne Smith shared two U.S. Open doubles titles, teaming with Kevin Curren for a 6-3, 7-6 victory in the mixed final and returning with Kathy Jordan to beat Rosie Casals and Wendy Turnbull in the women's doubles final, 6-3, 6-3.

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Bills Smother Colts' Offense in 35-3 Rout

From Agency Dispatches

ALTIMORE — Joe Ferguson threw for four touchdowns and 4 yards and Buffalo's fierce defense bottled up the Colt running back as the Bills ransacked to a 37-0 Sunday night.

Ferguson threw scoring strikes 33, 6, 54 and 3 yards and Rod Hodge ran five yards for the first touchdown. Buffalo amassed total yards to only 197 for the game.

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NFL Standings

Table with 4 columns: Division, Team, W, L, Pct, PF, PA. Includes American Conference (Eastern and Central Divisions) and National Conference (Eastern and Central Divisions).

Renner Wins Golf Classic

United Press International

SUTTON, Mass. — Jack Renner shot a two-under-par 69, capping a stretch of 52 consecutive holes of even-par golf or better, and posted a two-shot victory Sunday in the Pleasant Valley Classic.

Sunday's Major League Line Scores

Table with 3 columns: League, Team 1, Team 2. Lists scores for American League and National League games.

Major League Standings

Table with 4 columns: League, Team, W, L, Pct, GB. Lists standings for American League and National League.

CLASSIFIED ADVERTISEMENTS (Continued from Back Page). Includes sections for EMPLOYMENT, AUTOS TAX FREE, TAX FREE CARS, LEGAL SERVICES, TRANSCO, HOLIDAY & BUSINESS GUIDE, BIRMINGHAM PUBLICATIONS, HOLIDAYS & TRAVEL, ESCORTS & GUIDES, and various other services.

Art Buchwald
The Friendly Skies

WASHINGTON — As more and more major airlines discontinue their... The planes have none of the frills of a Boeing or a Lockheed jetliner, but there is a sense of adventure about flying one that makes you think you're in a time warp...



Buchwald

We went back inside but the pilot said it was too late. He had to load the luggage on the plane. He picked up his microphone and said, "Cumulus Airlines' Flight 1786 is now boarding for Boston with intermediate stops in Hyannisport, Provincetown and Woods Hole..."

He weighed my baggage and then he asked me how much I weighed. I lied and said 190. He wrote down 200. "People always lie by 10 pounds," he said. Then he gave me a boarding card...

"Who said anything about two pilots?" he replied. "I have room for one more passenger in the cockpit's seat, and we may get lucky and pick up one at an intermediate stop..."

A Kabuki Onnagata

Tamasaburo Bando Specializes in Female Roles

By Christine Chapman International Herald Tribune TOKYO — As a young man, Tamasaburo Bando is a charmer — boyish and frank. As a woman, he is beautiful and seductive, capable of intense passion and cold-blooded murder...

structure it's possible to produce a natural woman. Bando divides style in acting into two general classifications: that of building the character slowly and quietly to its climax or beginning with a smash and then practicing the art of acting...

At 7 Bando made his Kabuki debut playing a child whose head is cut off during the play. He was delighted. "It was like a dream. I woke up every day thinking how wonderful I can perform again today..."



Kabuki actor Tamasaburo Bando offstage, in costume.

Western Roles Although only 31, Bando has played not only princesses and prostitutes in Kabuki and in Shimpa, the 19th-century melodrama; he has also in recent years undertaken Western roles in translation...

Romantic and Idealistic He admits without embarrassment that his vision of women is both romantic and idealistic. "That's why I'm an onnagata. Women are wonderful; men I feel sorry for. Men are out of the great worldly base..."

Enthusiastic Traveler Bando is an enthusiastic traveler who loves Italy because of the opera and Greece for the open-air theater. In the United States he has visited Disneyland and Disney World because he served as a consultant for a pavilion in Kobe's world-fair-like Portopia...

Swedish King Carl Gustaf and Queen Silvia are in China for a 10-day visit and were given a red carpet welcome in front of the Great Hall of the People, the official Chinese news agency said.

PEOPLE: Canadians on Run Honor Cancer Victim

Canadians by the thousands ran, walked or bicycled in communities across the country on Terry Fox Day to raise money for cancer research...

The woman who whopped out a long and loud Arkansas Razorback cheer after she was crowned the new Miss America says the 23-year-old "very down-to-earth" person...

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